Fourth Quarter 2019 Bond Market Review and Outlook

Cincinnati Asset Management, Inc.

Investment Grade & High Yield Bond Specialists

"Global Gross Domestic Product will expand by 3.3% in 2020, up from 2.9% in 2019, the IMF predicted, Monday, January 20" (source: *The Wall Street Journal* 1/20/20)

Annual Relative Total Return Ranking - USD Multi-Asset Class

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
S&P 500 33.3%	CCMP 40.2%	CCMP 86.1%	REITs 26.4%	REITs 13.9%	EM Sov 13.7%	EM Equity 55.8%	REITs 31.6%	EM Equity 34.3%	REITs 35.1%	EM Equity 39.7%	US Gov't 14.0%	EM Equity 78.9%	REITs 27.9%	Munis 11.2%	REITs 19.7%	CCMP 40.2%	REITs 28.0%	Prefs 7.6%	Russell 2000 21.3%	EM Equity 37.8%	Cash 1.8%	CCMP 36.7%
Mid Cap 32.2%	S&P 500 28.6%	EM Equity 66.5%	Mid Cap 17.5%	High Grade 10.7%	US Gov't 11.6%	CCMP 50.8%	EM Equity 26.0%	Mid Cap 12.6%	EM Equity 32.5%	CCMP 10.7%	Mtges 8.3%	High Yield 57.5%	Russell 2000 26.8%	US Gov't 9.8%	EM Equity 18.6%	Russell 2000 38.8%	Prefs 15.4%	CCMP 7.1%	Mid Cap 20.7%	CCMP 29.7%	Munis 1.0%	S&P 500 31.5%
Russell 2000 22.4%	Mid Cap 19.1%	Conv 36.0%	Munis 17.1%	Prefs 9.8%	Munis 10.7%	Russell 2000 47.3%	Russell 2000 18.3%	REITs 12.2%	Russell 2000 18.3%	US Gov't 9.1%	Cash 1.7%	Loans 52.5%	Mid Cap 26.6%	REITs 8.3%	EM Sov 18.3%	Mid Cap 33.5%	CCMP 14.8%	Munis 3.6%	High Yield 17.5%	S&P 500 21.8%	Mtges 1.0%	REITs 28.7%
CCMP 22.2%	Conv 12.2%	EM Sov 23.6%	Prefs 16.2%	Mtges 8.1%	High Grade 10.2%	REITs 37.1%	Mid Cap 16.5%	EM Sov 12.0%	S&P 500 15.8%	Mid Cap 8.0%	Munis -4.0%	Conv 45.6%	EM Equity 19.2%	EM Sov 8.2%	Mid Cap 17.8%	S&P 500 32.4%	S&P 500 13.7%	REITs 2.8%	S&P 500 12.0%	Mid Cap 16.2%	US Gov't 0.8%	Mid Cap 26.2%
REITs 20.3%	US Gov't 10.0%	Russell 2000 21.3%	EM Sov 14.7%	EM Corp 7.0%	EM Corp 9.4%	Mid Cap 35.6%	EM Sov 11.8%	EM Corp 5.7%	Conv 12.0%	Mtges 7.0%	High Grade -6.8%	CCMP 45.3%	CCMP 18.1%	High Grade 7.5%	CCMP 17.7%	Conv 26.6%	Conv 10.0%	Mtges 1.5%	Conv 11.9%	Conv 16.0%	Conv 0.7%	Russell 2000 25.5%
Conv 15.5%	High Grade 8.7%	S&P 500 21.0%	US Gov't 13.4%	US Gov't 6.7%	Mtges 9.4%	S&P 500 28.7%	S&P 500 10.9%	Loans 5.3%	High Yield 11.8%	EM Sov 6.4%	EM Sov -10.2%	EM Corp 38.3%	Conv 15.7%	Mtges 6.1%	Russell 2000 16.4%	High Yield 7.4%	Munis 9.8%	S&P 500 1.4%	EM Equity 11.7%	Russell 2000 14.6%	Loans 0.6%	Conv 23.1%
EM Sov 15.1%	Mtges 7.2%	Mid Cap 14.7%	Mtges 11.3%	EM Sov 4.8%	Prefs 7.7%	High Yield 28.1%	High Yield 10.9%	S&P 500 4.9%	CCMP 10.9%	S&P 500 5.6%	EM Corp -17.5%	Mid Cap 37.3%	High Yield 15.2%	High Yield 4.4%	S&P 500 16.0%	Loans 5.4%	Mid Cap 9.7%	EM Corp 1.3%	Loans 10.4%	Prefs 10.6%	EM Corp -1.3%	EM Equity 18.6%
High Yield 13.3%	Munis 7.1%	EM Corp 14.5%	EM Corp 9.8%	High Yield 4.5%	REITs 3.8%	EM Sov 27.6%	CCMP 10.3%	Russell 2000 4.5%	EM Sov 10.6%	Cash 4.8%	Prefs -25.2%	REITs 28.0%	S&P 500 15.1%	EM Corp 4.2%	High Yield 15.6%	REITs 2.9%	High Grade 7.5%	US Gov't 0.8%	EM Corp 9.8%	EM Sov 10.0%	High Grade -2.2%	Prefs 17.7%
Munis 10.9%	Prefs 6.7%	Cash 4.7%	High Grade 9.1%	Munis 4.5%	Loans 2.6%	Conv 23.0%	EM Corp 8.9%	Munis 3.9%	Mid Cap 10.3%	High Grade 4.6%	High Yield -26.4%	EM Sov 27.2%	Prefs 13.7%	Prefs 4.1%	EM Corp 15.5%	Cash 0.0%	EM Sov 7.3%	EM Sov 0.6%	EM Sov 9.5%	REITs 8.7%	High Yield -2.3%	High Yield 14.4%
High Grade 10.4%	Loans 5.6%	Loans 4.1%	Cash 6.0%	Cash 4.1%	Cash 1.7%	EM Corp 14.5%	Conv 8.3%	Cash 3.0%	Prefs 8.1%	EM Corp 4.4%	Loans -29.3%	Russell 2000 27.1%	EM Corp 12.8%	S&P 500 2.1%	Conv 13.6%	EM Corp -1.3%	Mtges 6.1%	Loans 0.1%	CCMP 9.0%	High Yield 7.5%	CCMP -2.8%	EM Sov 14.3%
Prefs 10.0%	Cash 5.1%	High Yield 2.5%	Loans 5.1%	Loans 3.3%	High Yield -1.9%	Loans 9.8%	Munis 5.5%	US Gov't 2.8%	Loans 6.9%	Conv 3.9%	Conv -29.4%	S&P 500 26.4%	EM Sov 12.5%	Loans 1.5%	Prefs 13.6%	Mtges -1.4%	US Gov't 6.0%	Cash 0.0%	REITs 8.6%	EM Corp 7.3%	REITs -4.0%	High Grade 14.2%
US Gov't 9.6%	High Yield 3.0%	Mtges 1.6%	Russell 2000 -3.1%	Russell 2000 2.5%	Conv -3.1%	Prefs 9.4%	High Grade 5.4%	High Yield 2.7%	EM Corp 6.6%	Munis 3.3%	Russell 2000 -33.8%	Prefs 20.1%	Loans 10.4%	Cash 0.1%	High Grade 10.4%	High Grade -1.5%	Russell 2000 4.9%	High Grade -0.6%	High Grade 6.0%	High Grade 6.5%	Prefs -4.3%	EM Corp 13.0%
Mtges 9.3%	Russell 2000 -2.5%	High Grade -1.9%	High Yield -5.1%	Mid Cap -0.6%	EM Equity -5.9%	High Grade 8.3%	Loans 5.3%	Mtges 2.6%	Mtges 5.3%	High Yield 2.2%	Mid Cap -36.2%	High Grade 19.8%	High Grade 9.5%	CCMP -0.8%	Loans 9.8%	EM Equity -2.3%	EM Corp 3.7%	Conv -1.2%	Prefs 2.3%	Munis 5.4%	S&P 500 -4.4%	Loans 8.7%
Loans 7.5%	EM Sov -15.3%	US Gov't -2.4%	Conv -7.5%	EM Equity -2.4%	Mid Cap -14.5%	Munis 6.2%	Prefs 5.1%	CCMP 2.1%	Munis 5.0%	Loans 2.0%	S&P 500 -37.0%	Munis 14.5%	US Gov't 5.9%	Mid Cap -1.7%	Munis 7.3%	Munis -2.9%	High Yield 2.5%	Mid Cap -2.2%	Mtges 1.7%	Loans 4.3%	EM Sov -4.6%	Munis 7.7%
Cash 5.3%	REITs -17.5%	Prefs -4.4%	S&P 500 -9.1%	Conv -2.9%	Russell 2000 -20.5%	Mtges 3.3%	Mtges 4.7%	High Grade 2.0%	Cash 4.8%	Russell 2000 -1.6%	REITs -37.7%	Mtges 5.8%	Mtges 5.7%	Conv -3.8%	Mtges 2.6%	US Gov't -3.3%	Loans 1.8%	Russell 2000 -4.4%	US Gov't 1.1%	Mtges 2.4%	Russell 2000 -11.0%	US Gov't 7.0%
EM Equity -11.6%	EM Equity -26.0%	REITs -4.6%	EM Equity -30.7%	S&P 500 -11.9%	S&P 500 -22.1%	US Gov't 2.3%	US Gov't 3.5%	Prefs 1.0%	High Grade 4.4%	Prefs -11.3%	CCMP -40.0%	Cash 0.1%	Munis 2.3%	Russell 2000 -4.2%	US Gov't 2.2%	Prefs -3.7%	Cash 0.0%	High Yield -4.6%	Munis 0.4%	US Gov't 2.4%	Mid Cap -11.1%	Mtges 6.5%
EM Corp na	EM Corp na	Munis -6.3%	CCMP -39.2%	CCMP -20.8%	CCMP -31.2%	Cash 1.1%	Cash 1.3%	Conv -0.2%	US Gov't 3.1%	REITs -15.7%	EM Equity -53.2%	US Gov't -3.7%	Cash 0.1%	EM Equity -18.2%	Cash 0.1%	EM Sov -5.8%	EM Equity -2.0%	EM Equity -14.6%	Cash 0.2%	Cash 0.8%	EM Equity -14.3%	Cash 2.2%

Source: CreditSights, ICE BofAML, S&P/LSTA, Bloomberg. EM Equity is USD MSCI Emerging Market Index, Mid Cap is S&P Mid Cap 400 Index, CCMP = NASDAQ
EM Sov is USD EM Sovereign <= BBB index, EM Corp is USD EM Corporate Plus Index, Cash = 0-3 US Treasury Bill Index, REITs= FTSE NAREIT equity REIT index
data as of Dec 31, 2019

2019 was a banner year for stocks and bonds (see the chart to the left), and 2020 is starting out robustly. The new Canada-Mexico trade deal signed by President Trump and the trade agreement with China could lead to higher GDP in the USA, given the more level playing field they create. Also, we could see a large increase in corporate capital spending now, since the deals reduce many trade uncertainties. Furthermore, the China deal leaves many of the tariffs in place, which is meant to motivate the Chinese to enact the broader phase two trade agreement.

China, the world's second largest economy behind the US, may have been increasingly compelled after the US and South Korea signed a renegotiated trade deal on September 24, 2018. Terms of the agreement include relaxing agricultural tariffs further benefitting US farmers and ranchers and capping imports of steel into the US.

Furthermore, China may have been increasingly motivated by the conclusion of the phase one

(Continued on page 3)

Yields* on 12/31/2019	Yield*
CAM Broad Market (corporate core plus) Strategy (7.3 year maturity; 5.3 duration)	**3.04%**
CAM Investment Grade (100% corporate bonds) Strategy (7.2 year maturity; 6.0 duration)	**2.58%**
CAM High-Yield Strategy (only BA & B rated purchased) (7.0 year maturity; 3.6 duration)	**4.04%**
CAM Short Duration Strategy (3.6 year maturity; 2.5 duration; 50% IG & 50% HY)	**2.79%**
CAM Short Duration Investment Grade Strategy (3.3 year maturity; 3.0 duration)	**2.13%**
Tax Equivalent Muni GO Bond (7 year, 1.40%) Bloomberg Barclays Institutional Index (Yield to right is after 40% tax equivalency and 3-point retail price markup for small buys under $1 M)	**1.44%**
U.S. Treasury** (10 year maturity)	**1.92%**
U.S. Treasury** (5 year maturity)	**1.69%**
U.S. Treasury** (2 year maturity)	**1.57%**

* The lower of yield to maturity or yield to worst call date ** Source: Bloomberg Barclays

Contact us: Artie Awe, Mike Lynch, & Bill Sloneker are always available to assist.
Phone: (513) 554-8500 — Website: www.cambonds.com
Email: aawe@cambonds.com, mlynch@cambonds.com, & wsloneker@cambonds.com

CAM's Key Strategic Elements

- Bottom-up credit analysis determines value and risk.
- Primary objective is preservation of capital.
- Larger, more liquid issues preferred.
- Target is always intermediate maturity.
- No interest rate forecasting.
- <u>All</u> clients benefit from institutional trading platform and multi-firm competitive bids and offers.

CAM returns are after CAM's average management fee & all transaction costs but before any broker, custody or consulting fees. **The indices are unmanaged and do <u>not</u> take into account fees, expenses, and transaction costs.**	Total Return (%)	Annualized Returns (%)			
	4Q '19	1-YEAR	3-YEARS	5-YEARS	10-YEARS
CAM Broad Market Strategy—Net 1/3 high yield, 2/3 investment grade	1.37	13.57	5.33	3.71	5.27
CAM High Yield "Upper Tier" Strategy—Net only purchase BB and B; no purchases of CCC & lower	2.29	15.94	5.93	3.12	5.28
Bloomberg Barclays US Corporate High Yield Index	2.61	14.32	6.37	6.13	7.57
CAM Investment Grade Strategy—Net 100% corporate bonds	0.92	12.52	5.13	3.97	5.30
Bloomberg Barclays US Corporate Index	1.18	14.54	5.92	4.60	5.55
CAM Short Duration Strategy—Net 1/2 investment grade, 1/2 high yield	1.50	8.59	3.97	1.95	3.61
CAM Short Duration Investment Grade Strategy—Net 100% corporate bonds	0.74	6.58	3.10	2.57	3.98

Relative Performance Review 12/31/2019

CAM's **Investment Grade Strategy** ("**IG**") produced a gross total return of 0.98% in the quarter ended December 31, 2019, compared to 1.18% for the Bloomberg Barclays U.S. Corporate Index. IG underperformed the Index in Q4 in large part due to CAM's maturity profile. CAM always positions a majority of the portfolio within intermediate maturities and at the end of the fourth quarter, 76.4% of the portfolio had a modified duration between 5-10 years while 26.7% of the Index fell within this range of duration. The net effect of this maturity profile contributed -4 basis points to excess return. The YTD return for the CAM IG strategy was 12.78% compared to the Index return of 14.54%. The YTD performance also trailed the Index as a function of CAM's intermediate maturity profile, but additionally due to the general outperformance of BAA-rated corporate bonds, to which CAM targets a 30% limitation and is structurally underweight approximately 20% versus the Index.

The **High Yield Strategy** ("**HY**") delivered a gross total return of 2.37% in Q4 while the Bloomberg Barclays High Yield Index returned 2.62%. The HY YTD return was 16.31% while the Bloomberg Barclays High Yield Index returned 14.32%. For the fourth quarter, HY underperformed almost entirely through our cash balance, which was 10.1% of the portfolio at quarter-end, as we sought to cautiously deploy capital amid lofty valuations. (The Index carries no cash.) HY led the Index for the YTD period due to our security selection and allocation within the Independent Energy and Oil Field Services industry groups. Also supporting our YTD outperformance was not having any exposure to Caa and lower credit subsectors of the Index, which underperformed the Index as a whole. HY is always underweight these low credit subsectors believing their credit profiles and price volatility are inappropriate for many investors.

Our **Broad Market Strategy ("BM")** – a 67%-33% blend of IG-HY bonds – produced a gross total return of 1.44% for the quarter ended December 31, 2019 compared to 1.66% for the Bloomberg Barclays blended Index. It is important to note that our BM strategy achieves its Baa average credit quality via a barbell strategy of higher and lower rated securities. At the end of the fourth quarter 50.6% of the portfolio was positioned in A-rated or better credit subsectors, while the Index's exposure was 32.8%. The net effect of this structural allocation accounted for nearly all of the underperformance versus the Index for the quarter. The YTD return for the CAM Broad Market strategy was 13.88% compared to blended Index return 14.50%. Our underperformance for the year, again, is due to our structural underweight in the Baa-cohort, married with our overweight in the A-rated and better credit subsectors.

The CAM **Short Duration Strategy** ("**SD**") blends equal weights of IG and HY short duration bonds with a target duration of 3 years. The strategy's gross total return in the quarter ended December 31, 2019 was 1.59% while the Index, a similar blend of the intermediate components of Bloomberg Barclays IG and HY corporates, returned 1.73%. Of note, CAM's security selection within the Automotive and Consumer Cyclical industry groups produced 31 basis points of contribution to excess return, in aggregate. However, our positioning within the Finance industry and our cash balance served as headwinds to our quarterly performance. The YTD gross total return was 8.96% compared to the blended Index return of 10.41%. CAM's duration profile is shorter than the blended index, and longer-dated paper (5+ years) dramatically outperformed during the period. This was the main source of underperformance as our underweight of this duration bucket produced -54 basis points of excess return versus the index during the YTD period.

The **Short Duration Investment Grade Strategy ("SD-IG")** delivered a gross total return of 0.81% for Q4 while the Bloomberg Barclays U.S. Corporate 1-5 Index returned 0.95%. Lower quality credit outperformed during the period, and CAM's positioning within BAA-rated securities resulted in a -7 basis point contribution to excess return. Over the YTD period, SD-IG delivered 6.83% versus an Index return of 6.99%. The YTD performance modestly underperformed the benchmark almost entirely based upon a cash drag in a period of positive total returns.

Bloomberg Barclays Bond Indices Returns vs. CAM Gross (annualized %)

Periods ended 12/31/2019	10-yrs	20-yrs
U.S. Aggregate	**3.75**	**5.03**
U.S. Corporate	**5.55**	**6.06**
CAM Investment Grade Strategy	**5.56**	**6.01**

<u>Better Asset Allocation Might Result from More Exacting Analysis</u>

The chart to the right shows that BA rated bonds returned approximately 50% of S&P 500 stocks for the 5-year period, 55% over 10 years, and exceeded the returns of the S&P 500 over the last 20-years. Lower rated CAA bonds have underperformed the S&P 500 for the 5-year and 10-year periods, while the lowest rated (CA & D) have produced negative returns. Both BA and B rated bonds outperformed the Bloomberg Barclays US Aggregate Index for all periods.

The chart also indicates that CAA rated securities underperformed BA rated and B rated bonds for the 20-year period. For the shorter 10-year period, the lower credit CAA cohort outperformed. Not shown in the table is the pronounced and extreme volatility that has characterized the CAA sector. For example, during 2008, when the High Yield Index was down 26%, CAA rated bonds were down 44%, and during 2009, the Index was up 58% while CAA bonds were up 91%. In each calendar year since 1997, CAA rated bonds ranked either best or worst in Credit Sights Annual Excess Return Rankings for US corporate credit tiers, a trend that was finally upset in 2019, although it ranked second worst. The CAA longer term results were achieved with significantly more volatility than the Index.

Finally, not only have BA rated bonds outperformed the S&P 500 for the 20-year period, but they have done so with about half the volatility of that Index (Ibbotson), suggesting that better credit quality high yield bonds deserve consideration as a core holding in an investor's portfolio allocation.

Total Return of High-Yield Bonds by Credit Quality

(periods ended 12/31/2019) Source: Credit Suisse First Boston

(annualized %)

High-Yield Bond Sectors	5-years	10-years	20-years
BA-rated bonds	**6.20**	**7.39**	**7.93**
B-rated bonds	**5.56**	**7.26**	**6.78**
CAA-rated bonds	**6.89**	**8.12**	**6.61**
CA & D-rated bonds	**-9.01**	**-6.91**	**-5.45**

Performance of Other Asset Classes

(periods ended 12/31/2019) Source: Bloomberg Barclays & Lipper

S & P 500 Stocks	**11.70**	**13.50**	**6.04**
Bloomberg Barclays U.S. Aggregate	**3.05**	**3.75**	**5.03**

Yield Spreads Over U.S. Treasuries:

The December 31 spread levels (indicated at the right) enhance the value of corporate bonds versus U.S. Treasuries. The 10-year U.S. Treasury ended 2019 at 1.92% compared to recent year-ends: 2.69% (2018) and 2.41% (2017).

Absolute spreads for all credit subsectors have tightened versus their 20-year averages throughout 2019. However, it's important to note that the net issuance forecast for 2020 is substantially lower relative to 2019, and the global hunt for yield continues to bolster the market.. This imbalance could create an environment that lends support to tighter credit spreads.

Credit Rating	20-Year Average Spread	12/31/2019	12/31/2018	12/31/2017	12/31/2016	Tightest This Decade
A	1.28%	0.70%	1.18%	0.73%	1.01%	0.69%
BAA	1.99%	1.20%	1.97%	1.24%	1.60%	1.12%
BA	3.71%	1.82%	3.54%	2.11%	2.70%	1.30%
B	5.30%	3.24%	5.31%	3.43%	3.82%	2.28%
CAA	9.56%	9.20%	9.89%	6.15%	8.07%	3.78%

Annual Excess Return Rankings - USD Corporate Credit Ratings Tiers

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
US CCC 13.6%	US AA -1.0%	US CCC 8.4%	US AAA -1.4%	US A 3.5%	US AA 0.5%	US CCC 58.5%	US CCC 13.2%	US B 1.7%	US CCC 15.2%	US AAA -2.3%	US AAA -9.3%	US CCC 97.4%	US CCC 13.2%	US AAA -2.2%	US CCC 18.7%	US CCC 14.4%	US BB 0.7%	US AAA 0.0%	US CCC 35.2%	US CCC 9.6%	US AA -1.2%	US BB 10.2%
US B 6.3%	US A -1.4%	US B 6.7%	US AA -2.4%	US BBB 3.4%	US AAA 0.1%	High Yield 25.6%	High Yield 7.9%	US BB 0.8%	High Yield 8.3%	US AA -4.4%	US AA -14.0%	High Yield 58.7%	High Yield 9.8%	US BB -2.5%	High Yield 13.6%	High Yield 9.5%	US A 0.0%	US AA 0.0%	High Yield 16.2%	High Yield 6.1%	US AAA -1.7%	US B 9.3%
High Yield 5.8%	US AAA -1.5%	High Yield 6.1%	US A -4.2%	High Grade 3.4%	US A -0.1%	US B 23.5%	US B 7.5%	High Yield 0.6%	US B 7.8%	High Grade -5.0%	High Grade -21.3%	US B 48.7%	US B 9.0%	US B -2.6%	US B 13.2%	US B 9.2%	High Grade 0.0%	US A -0.3%	US B 15.7%	US BB 5.6%	US A -2.6%	High Yield 9.2%
US BB 3.9%	High Grade -2.2%	US BB 4.4%	High Grade -4.7%	US BB 3.2%	High Grade -2.5%	US BB 16.9%	US BB 6.0%	US AA 0.1%	US BB 6.5%	US BBB -5.4%	US A -22.4%	US BB 46.8%	US BB 8.9%	High Yield -3.3%	US BB 12.2%	US BB 7.8%	US AA -0.1%	High Grade -1.6%	US BB 11.9%	US B 5.4%	High Grade -2.8%	US BBB 8.1%
US BBB 0.3%	US BB -3.1%	US BBB 2.7%	US BBB -6.7%	US AA 3.0%	US BBB -5.9%	US BBB 9.1%	US BBB 2.3%	US AAA 0.1%	US BBB 1.6%	US A -5.5%	US BBB -25.6%	US BBB 35.0%	US BBB 4.0%	US AA -3.6%	US BBB 9.4%	US BBB 3.3%	US BBB -0.1%	US BB -2.4%	US BBB 6.9%	US BBB 4.6%	US B -3.0%	High Grade 6.5%
US AA 0.0%	US BBB -4.2%	High Grade 1.4%	US BB -10.6%	US AAA 2.2%	US B -10.6%	High Grade 5.9%	High Grade 1.7%	US A -0.2%	High Grade 1.3%	US B -6.4%	US BB -31.5%	High Grade 23.5%	High Grade 2.8%	High Grade -4.1%	High Grade 7.9%	High Grade 2.8%	US AAA -0.4%	US BBB -3.2%	High Grade 4.7%	High Grade 3.8%	US BBB -3.4%	US A 5.2%
High Grade -0.3%	High Yield -5.0%	US A 0.8%	High Yield -15.3%	High Yield -3.3%	High Yield -13.4%	US A 3.6%	US A 1.4%	High Grade -0.8%	US A 1.2%	US BB -7.3%	High Yield -38.1%	US A 20.0%	US A 2.3%	US BBB -4.3%	US A 7.5%	US A 2.2%	High Yield -1.3%	High Yield -5.9%	US A 3.2%	US AAA 3.3%	High Yield -3.7%	US AAA 4.3%
US AAA -0.3%	US B -5.6%	US AA 0.4%	US B -17.2%	US B -6.9%	US BB -15.0%	US AAA 2.6%	US AAA 1.1%	US BBB -2.0%	US AAA 1.1%	High Yield -7.3%	US B -39.6%	US AA 12.4%	US AA 1.5%	US A -4.3%	US AA 5.3%	US AA 1.9%	US B -2.0%	US B -6.3%	US AA 2.4%	US A 3.1%	US BB -3.8%	US CCC 4.2%
US A -0.8%	US CCC -9.5%	US AAA 0.1%	US CCC -21.7%	US CCC -8.6%	US CCC -16.2%	US AA 2.0%	US AA 1.0%	US CCC -2.4%	US AA 1.0%	US CCC -9.2%	US CCC -48.7%	US AAA 4.1%	US AAA 1.3%	US CCC -7.6%	US AAA 2.1%	US AAA 1.0%	US CCC -5.2%	US CCC -16.2%	US AAA 2.3%	US AA 2.4%	US CCC -5.8%	US AA 3.4%

Source: CreditSights, ICE BofAML Indexes data through 12/31/2019

(Excess return = the total return of the asset class minus the total return of a duration matched basket of government securities. Essentially the excess return metrics remove the yield curve piece of the return picture. In its basic form, it is mainly a function of coupon differentials and spread changes).

(Continued from page 1)

trade agreement between the USA and Japan, increasing China's isolation from Asian-US trade. Forgotten by many is the fact that the USA and Japan, together, account for nearly 30% of Global GDP (source: Office of the United States Trade Representative (Executive Office of the President) 10/7/19).

Britain's imminent Brexit early this year should lead to a favorable trade deal, separate from the current agreement with the EU. A deal with Britain may well prompt the EU to take concessionary steps in US trade relations.

Dwarfing trade, the major element of US GDP is consumer spending. And the consumer has never been in better shape as we move into 2020. The National Retail Federation reported a stronger than expected November and December holiday season consumer spending increase of 4.1% over last year excluding volatile auto, gas and restaurant categories (*The Wall Street Journal* 1/19/20). Also, strengthening prospects for consumer's finances was ADP's increase of 202,000 non-farm jobs in December, well above the economists' estimate of 150,000 (source: *The Wall Street Journal* 1/19/20).

The Bureau of Labor Statistics reported on January 10, 2020 that the unemployment rate remains at a 50 year low of 3.5%. Also, record low unemployment for Blacks, Hispanics and Women continue to grow the wealth of these minorities. The U-6 underemployment rate, which includes discouraged workers no longer seeking jobs and part-time workers seeking full time work fell to 6.7% (please see the chart on page 4).

The Wall Street Journal (1/10/20) writes "the longest job expansion in 80 years is lifting lower income workers in particular". They cite BLS statistics that for the first 11 quarters of the Trump presidency wages for the bottom 10% of earners rose 5.9% annually, compared to 2.4% over Obama's second term. Also, wages

(Continued on page 4)

Footnotes and disclosure

Cincinnati Asset Management, Inc., ("CAM") an independent privately held corporation established in 1989, is registered with the United States Securities and Exchange Commission as an investment advisor. The CAM High Yield, Investment Grade, Broad Market, Short Duration, and Short Duration-Investment Grade composites consist of all discretionary portfolios under management, including all securities and cash held in the portfolios, and have been appropriately weighted for the size of the account. All accounts are included after they are substantially invested.

Returns are calculated monthly in U.S. dollars and include reinvestment of dividends and interest. Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns. Past performance is no guarantee of future results.

When compared to indices' performance, CAM results are after deduction of all transaction costs and CAM advisory fees. CAM advisory fees used are the composite averages. Accounts managed through brokerage firm programs usually will include additional fees. "Net of fees" herein refers only to CAM's management fee. Returns audited annually. Most recent audit available upon request.

S&P 500 averages are published quarterly in Barron's as supplied by Lipper Analytics.

The indices and information shown for comparative purposes are based on or derived from information generally available to the public from sources believed to be reliable. No representation is made to its accuracy or completeness.

High yield bonds may not be suitable investments for all individuals. Before investing a thorough reading of all materials and consultation with an independent third party financial consultant may be appropriate. Fixed Income securities may be sensitive to changes in prevailing interest rates. When rates rise the value generally declines. For example, a bond's price drops as interest rates rise. For a depository institution, there is also risk that spread income will suffer because of a change in interest rates. The Indices are referred to for informational purposes only and the composition of the Index is different from the composition of the accounts included in the performance shown above. Index returns do not reflect the deduction of fees, trading costs or other expenses.

This material was not intended or written to be used, and it cannot be used, by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer under U.S. federal tax laws.

This information is intended solely to report on investment strategies and opportunities identified by CAM. Opinions and estimates offered constitute our judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. This material is not intended as an offer or solicitation to buy, hold or sell of any financial instrument. References to specific securities and their issuers are for illustrative purposes only and are not intended to be, and should not be interpreted as, recommendations to purchase or sell such securities.

(Continued from page 3)

for the middle two quartiles increased 3.2% compared to 2.2% and 2.7% between 2012 and 2016. Wage gains for the top 10% have held at 3%.

The article further notes the record low poverty rate among blacks (20.8%) and Hispanics (17.6%). Additionally, 40 million fewer households are receiving government assistance than in 2016 and food stamp recipients have shrunk by 9.5 million over the past three years. All of these metrics show a broadening and strengthening consumer sector. More people are working and incomes are rising fastest for the lower wage earners. Trump's tax cuts and deregulation initiatives are the growth catalyst.

Economists attribute a large portion of the 2019 deceleration in job and wage growth to lower business investment that resulted from the trade/tariff "wars" with China, Mexico, Canada and other countries. Now that those disputes have largely been settled, economists expect business investment to bolster GDP and job growth moving forward.

For Investment Grade bonds the dichotomy of returns between 2018 and 2019 was stark. While 2018 was a disappointing year with the worst returns for corporate credit in a decade, 2019 was a complete reversal with the best returns in over a decade. For the full year 2019 the Bloomberg Barclays US Corporate Index had a total return of +14.54%.

For 2019, the Bloomberg Barclays US Corporate High Yield Index ("Index") return was 14.32%. During the quarter, the Index option adjusted spread ("OAS") tightened 37 basis points moving from 373 basis points to 336 basis points.

Demand for corporates remains strong with foreign investors attracted by the relative yield advantage over many foreign countries. We expect this demand to continue with low global inflation expectations.

We appreciate your confidence. Please contact any of us at any time if we may be of assistance. We wish you and yours a happy and healthy 2020.

Sharpe Ratios (risk & reward relative value) Inception-Q4 2019

CAM Investment Grade Strategy 0.47
Bloomberg Barclays U.S. Corp Bonds 0.45

CAM High Yield Strategy 0.56
Bloomberg Barclays High Yield Corp Bonds 0.52

CAM Short Duration 0.55
Bloomberg Barclays Weighted Benchmark
(1/2 Interm. HY & 1/2 U.S. Corporate 1-5) 0.67

CAM Short Duration IG Strategy 1.27
Bloomberg Barclays U.S. Corporate 1-5 Yr 1.34

CAM Broad Market Strategy 0.83
Bloomberg Barclays Weighted Benchmark
(2/3 Corporate and 1/3 High Yield) 0.83

An important objective for all Cincinnati Asset Management investment strategies is to deliver superior risk-weighted returns. A quantitative indication of our success is the Sharpe Ratio that calculates total return per unit of risk. The data on the left indicate we have been largely successful. Sharpe Ratios of the Investment Grade and High Yield Strategies exceeded their respective benchmarks by approximately 4% and 8%, respectively. The Short Duration Strategy's Sharpe Ratio trailed its benchmark's ratio by 18%, and Short Duration Investment Grade trailed its benchmark by 5%. The Broad Market Strategy produced a Sharpe Ratio equal to the benchmark's ratio.

Real Unemployment Rate Vs. Standard Unemployment Rate

The real unemployment rate, or U-6, as reported by the BLS, includes the underemployed, the marginally attached, and discouraged workers. The standard rate, or U-3, only counts those who have looked for a job in the last four weeks.

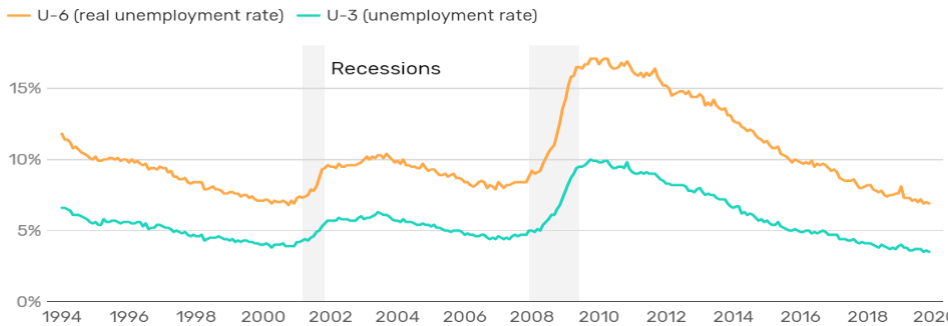
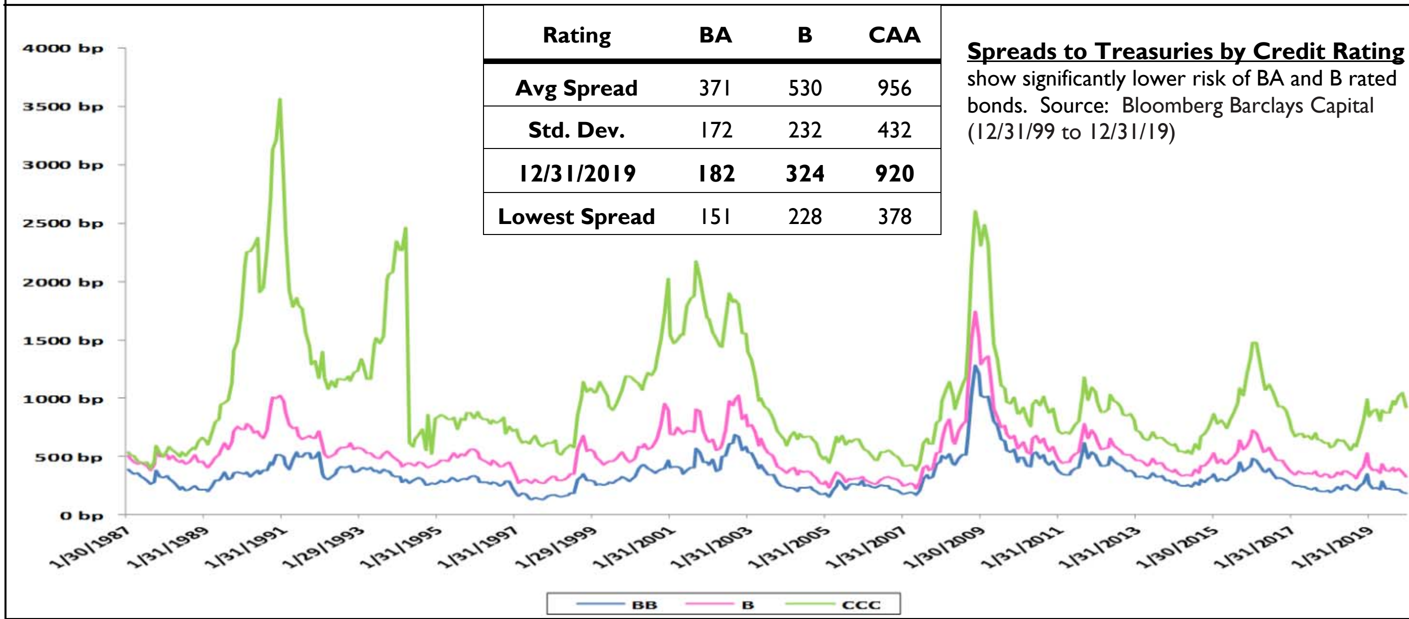


Chart: The Balance • Source: St. Louis Fed



Rating	BA	B	CAA
Avg Spread	371	530	956
Std. Dev.	172	232	432
12/31/2019	**182**	**324**	**920**
Lowest Spread	151	228	378

Spreads to Treasuries by Credit Rating show significantly lower risk of BA and B rated bonds. Source: Bloomberg Barclays Capital (12/31/99 to 12/31/19)