

February 13, 2020

As we enter a new year and a new decade, we have significant news to share. Our co-founder and CEO, Toby Levitt, retired after 38 years of success. Toby was instrumental in growing Albion from a dream and a team in the basement of the Alta Lodge to a nationally recognized Registered Investment Advisory firm managing over \$1 billion in assets for our clients. Please read *From John Bird's Desk* for more information.

Our CIO, Jason Ware shares Albion's market outlook for 2020 through the lens of our four pillars in *Economy and Markets*. Senior Wealth Advisor Liz Bernhard covers a few key points of the recently passed SECURE Act in *Planners' Corner*. And last, but certainly not least, we encourage you to follow us on social media. You can see Jason talk about stocks and the economy on CNBC via our LinkedIn page or learn more about the Women of Albion team on Instagram.

Thank you for your continued trust in Albion. We look forward to another decade of serving our clients in making good financial decisions in pursuit of financial goals.

Sincerely,

The Albion Team

From John Bird's Desk

A Celebration is in Order!

Our Co-Founder and CEO, Toby Levitt, has retired after thirty-eight years of success. It is difficult to know where to start when describing Toby's impact as he has been well ahead of the crowd in so many ways. As a pioneer of Fiduciary Fee-Only Wealth Management, Toby helped to create a firm that always puts the client first. He championed the team approach we take in serving each client relationship and was instrumental in creating an employee centric firm with a culture of caring where each team member feels supported in becoming their best selves. Toby has positively and meaningfully impacted the lives of hundreds of families... both for our clients and for the families of all of us who work at Albion!

Toby approached every day with determination and dedication. Each weekend for our first thirty years Toby would go through the client book – a book with every client portfolio in it – and would come back many Monday mornings with adjustments that needed to be made. He truly cares about the success of everyone who has entrusted their wealth to Albion.

He brought his knowledgeable and thoughtful self, as well as his deep compassion for others, to his work every day. Those of you who know him know he's an out-of-the-box thinker, seeing the world through a lens that often led to innovative and creative insights. From Albion's roots in the basement of

the Alta Lodge to our office in Sugarhouse where we've been for the last 20 years, Toby helped grow Albion from a team of two to a group of twenty-seven individuals who are passionate about giving clients objective wealth management advice and guiding them to a lifetime of good financial decisions.

Toby deeply values the Albion team and has built binding personal connections that will not end with his retirement. We all will miss our interactions and conversations with him - both the fun daily banter and the long-term powerful conversations on how Albion can best serve clients.

Toby did not take the retirement decision lightly. After devoting a large share of his life to building Albion he wanted to be sure the culture of caring, competency, and compassion he helped create would be maintained in his absence. Because of Toby, the core tenet of always putting the client first is ingrained in the DNA of Albion and we will continue to follow that guiding philosophy as we celebrate Toby's retirement and wish him well on the next 38 years.

Per Toby:

"It's a great time to step down. The professionalism and capacity of the Albion team is stronger than ever, what the company does is valued in the community, and the next generation is willing and capable to take Albion into the future."

As Toby's long-time co-founder, partner and friend, I will be assuming the role of CEO and will continue to guide Albion

along its well-established path. I am honored to have worked side by side with Toby building Albion into the company it is today, and I look forward to a bright future for Albion, for our clients and for Toby and his family.

Economy & Markets

In the fourth quarter the U.S. continued its decadelong expansion. Though, not without its bumps and bruises borne from incoming news flow, real-time data and the shark-like opinions that circle such information. Despite concerns around on-going trade wars, a fresh recession within the manufacturing sector, and a dip in fixed business investment, the economy has proven its resiliency. Meanwhile policymakers endure in their lobbying support to promote economic growth, be it through monetary or fiscal authority. Our current analysis suggests that the ~2% (real) GDP trend growth in this cycle is a pace that should continue for the foreseeable future. This expectation is bolstered by a healthy jobs market, sufficient credit and liquidity, positive sentiment, and a strong consumer.

This isn't to suggest that recession cannot occur. It can, and at some point, will. Recessions are unavoidable as they are natural ingredients to the business cycle. Nevertheless, our present take is that the near-term probability here remains low. This view is informed by a checkup across a variety of economic evidence - including our examination of seven key leading indicators that we monitor. Indeed recent data from the jobs market, aggregate demand, LEI, building permits, sentiment, and credit markets all point to well-balanced conditions. Quite simply, from our perch there's just very little

excess building in the economy. Want more good news? After nearly two years wrestling with a needless China trade war the Administration reached a “Phase 1 deal” on January 15th that, for now, has placed the discourse onto a more constructive path. Reasonable people can disagree on whether the journey was worth the (present) result but what seems clear is that relations are improving. Remember, financial markets often care more about the progress or deterioration of events as opposed to the absolutes of good or bad.

Turning our gaze overseas the global economy trundles on. And while it has slowed some due to impact from trade wars and now coronavirus the pace is still firmly positive. We anticipate this trajectory to hold. In part because the global consumer has stayed tough and emerging markets endure in growing at robust clips on the back of demographic tailwinds, but also because officials, in particular central bankers, continue to provide ample policy assistance. Presently, over 60% of global central banks are once again “easing” monetary policy compared with less than 15% one year ago. Love it or hate it, this has a very real effect on the economy and financial markets. In the U.S. specifically, after delivering three “mid-cycle adjustment” rate cuts in 2019 the Federal Reserve looks to be on hold for now. This “neutral” stance in concert with rather dovish language suggests to us that the Fed remains ready to sustain the expansion as needed. If they were to move off of neutral it is our best guess that move would be another cut, not a hike. Time will tell.

Looking back on the year that was, we believe the strong stock market in 2019 was primarily a function of reality

beating expectations. Recall going into the year investors were in the belly of a flash bear market (that bottomed Christmas Eve ‘18) and deeply worried about looming recession, tight Fed, higher inflation and lower corporate earnings. This pessimistic attitude drastically lowered the bar (and valuations) as the year began. And yet the economic realities that developed throughout 2019 were better than feared. And after a down year in 2018 and a ~14x P/E multiple on the market (cheap), upbeat news set the spark. By year’s end, lofty returns coupled with no underlying earnings growth produced a higher market multiple. Now at ~19x earnings we acknowledge that stocks are no longer cheap. But they aren’t alarmingly expensive either.

Our core ‘four pillars’ framework of the economy & earnings, inflation, interest rates, and valuation continue to provide the analytical foundation as to our assessment of present conditions. As of this letter all four pillars are encouraging. The economy seems to be doing OK and the likelihood of an imminent recession is fairly low. Earnings, which have been essentially flat over the past twelve-months, will likely begin to grow again in 2020. On balance American business is doing fine, inflation and interest rates remain low, and the folks “printing the money” are pulling in the same direction. All unquestionably good for stocks over time.

Trade war and Fed developments still probably hold the largest sway as to the short-term direction of markets. Outside of this, exogenous global events (“black swans”) could also upend stocks at any point (Coronavirus is the most recent example of a black swan). But by nature, these are difficult to predict. Thus our central philosophy of finding and

owning slices of terrific businesses via long-term investment in stocks endures as an intelligent approach when striving to grow wealth in the years to come.

Planners' Corner

The SECURE Act, passed by Congress in December of 2019, brings new rules and regulations that will impact financial planning for many taxpayers. While the legislation includes a variety of changes, here are a few of the items which we think our most notable for our clients:

Elimination of the “stretch” IRA for non-spouse beneficiaries. Starting in 2020, designated beneficiaries who inherit IRAs must distribute out the entire retirement account by the end of the 10th year following the year of inheritance. The beneficiary has the flexibility to distribute the account in any amount over the course of the 10 years as long as the entire account is emptied by end the of the 10th year. The rule does not apply to “eligible beneficiaries” which include spouses, people who are disabled or chronically ill, individuals who are not more than 10 years younger than the decedent, and certain minor children.

Required Minimum Distributions (RMDs) will now start at age 72 instead of age 70 ½. This change applies to individuals who turn 70 ½ in 2020 or later. Qualified Charitable Distributions (QCDs) will still be allowed at age 70 ½. In addition to the delay of RMDs until age 72, the SECURE Act allows for

traditional IRA contributions after age 70 ½ for those who have earned income.

The SECURE Act also brought about some notable non-retirement changes such as expanding qualified education expenses for which 529 plan funds can be used to include apprenticeship programs and education loan repayments (up to \$10,000). The so-called kiddie tax rules also changed/reverted back to pre-2018, so once again children with substantial unearned income will be subject to their parents' marginal tax rate. This not only applies starting in 2020, but can be elected for 2018 and 2019 as well.

The SECURE Act contains many changes beyond what is highlighted above. Although we are not tax accountants or CPAs, we encourage you to call us to discuss your specific situation in more detail.

Albion Community

Want to know more about Albion's thinking on the markets? Or our involvement in the community? Or our extracurricular team activities? We encourage you to stay up to date with Albion by following us on our social media platforms and engaging with our content. Connect with us!

LinkedIn: @albionfinancialgroup and @womenofalbion

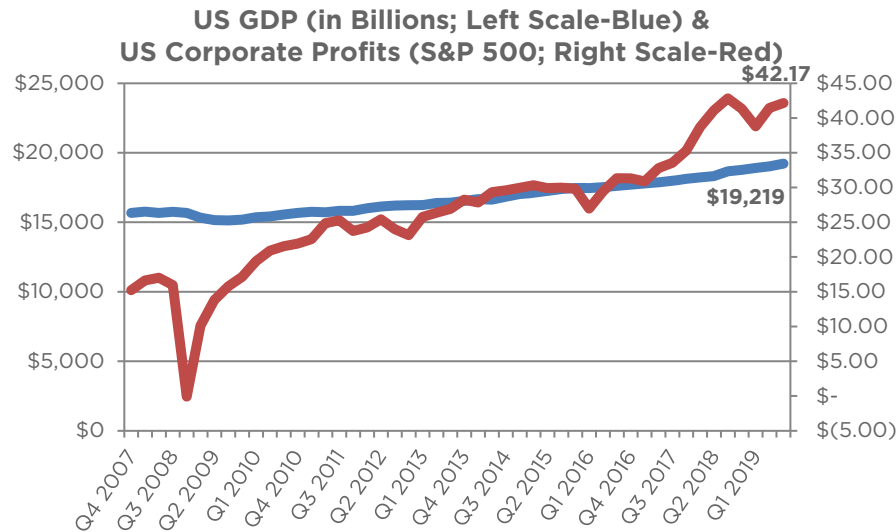
Facebook: Albion Financial Group

Twitter: @albionfingroup

Instagram: @womenofalbion

Strava: Albion Run Club & Albion Bike Club

UNITED STATES GDP ANNUAL GROWTH RATE



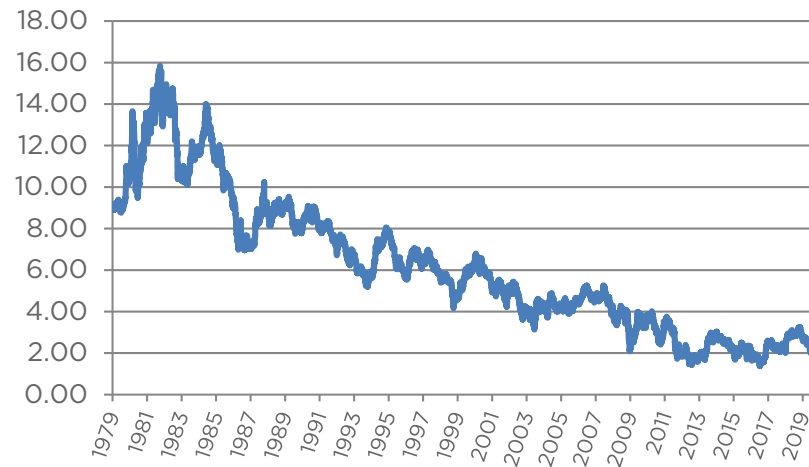
UNITED STATES INFLATION RATE



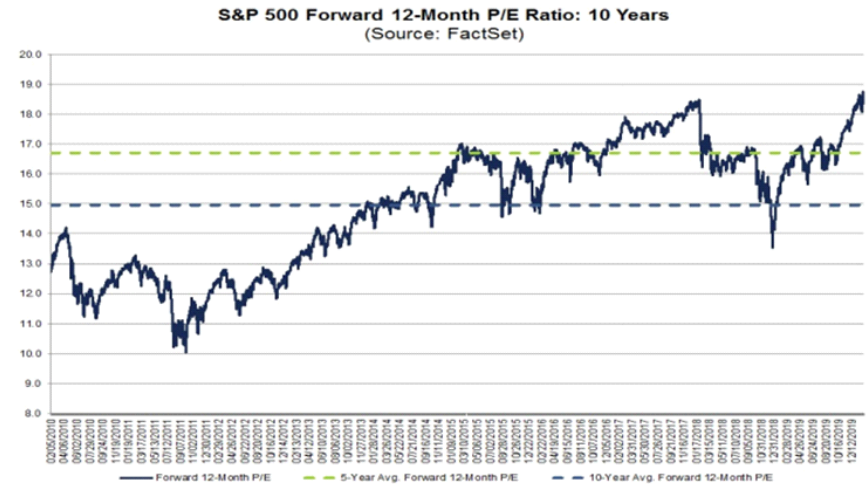
Recent U.S. economic data continues to show a well-balanced economy. That said there is little question that the economy has reset back to trend growth after the tax-cut induced boost. We stated in prior quarters that any uptick here will likely be short-lived. The trend in this cycle of 2.0% to 2.25% real GDP growth is a practical baseline given underlying structural economic forces. But this shouldn't be cause for alarm – it's a sturdy enough growth rate to create jobs, support wages, consumption and confidence all while keeping inflation at bay. Trade war with China is improving with the recent "Phase 1 deal", but the risk of a policy mistake remains. We continue to think it ultimately gets fully worked out as it's in the best interest of all interested parties.

Using the Fed's preferred measure core inflation remains in-check with the most recent data showing a pace just below the Fed's 2% target. Additional measures like CPI and "5-year, 5-year forward" data also reflect steady, benign price growth. We continue to carefully monitor the pace of inflation. For now, despite rising wage growth our view remains that inflation is unlikely to run 'hot' anytime soon.

UNITED STATES 10 YEAR TREASURY YIELD



TRAILING 12M P/E RATIO: 10 YEAR



After delivering three “mid-cycle adjustment” rate cuts in 2019, the Federal Reserve looks to be on hold for now. This “neutral” stance in concert with rather dovish language suggests to us that the Fed remains ready to sustain the expansion as needed. If they were to move off of neutral it is our best guess that move would be another cut, not a hike. Time will tell. In short, the Fed stands ready to support the economic expansion as needed and seems more focused on the potential “downside risks” in the economy. This type of monetary policy, coupled with recent fears of the novel coronavirus driving some investors into “safe haven” U.S. Treasuries, have kept yields very low.

The stock market began 2019 at a ~14x P/E multiple (cheap). By year’s end, lofty returns coupled with no underlying earnings growth produced a higher market multiple. Now at ~19x earnings we acknowledge that stocks are no longer cheap. But they aren’t alarmingly expensive either. Especially when you consider that bond yields and inflation remain low and stable. This fact furthers the notion that stocks are not richly valued in today’s environment. To be sure, with the 10-year U.S. Treasury now yielding ~1.6% and core inflation about the same, it’s hard to argue that stocks are exuberant or bubbly. Quite simply we just don’t see much in the way of excesses, which is unequivocally a good thing.