MERCER
MAKE TOMORROW, TODAY

4^{th} Quarter Global Market Selloff

Global equity markets tumbled nearly 13% in the fourth quarter of 2018. Concerns over higher interest rates, trade policy and slowing Chinese growth contributed to the first leg of the sell-off in October. A deteriorating global growth and corporate earnings outlook seemed to drive the second leg that began in mid-December.

In our view, the magnitude of the sell-off was not justified by changes in fundamentals of the global economy. As we have noted, downside risks to the global growth outlook have grown over the past several months, but we continue to believe that a global recession is unlikely in 2019.

Global Growth Outlook

Although we do expect the global economy to weaken somewhat from its 2018 level, we believe the negative assessment by investors and subsequent market downturn during December appears overdone.

The US was the driver of global growth in 2018. We believe growth in the US will certainly slow from the unsustainable 2018 pace, but should remain strong in 2019. Growth in US business investment has slowed, partially due to falling energy prices and trade uncertainties. However, US household finances remain solid. Household income is growing as a result of the strong jobs market and wage gains, which should keep consumer spending strong, albeit, there is a risk of a more significant slowdown in 2020. Nevertheless, even if there is a recession in 2020, it should be mild as there are no obvious excesses in the US economy at this point.

The growth picture outside the US is more uncertain with China, in particular, presenting downside risk. The direction of trade tensions between the US and China is a key uncertainty. A further escalation could lead to a material slowdown in global economic growth, especially if it lowers business confidence. The recent re-opening of negotiations between the US and China is encouraging. A silver lining of the recent equity market rout is that it should provide the Trump Administration more incentive to complete a trade deal. Elsewhere, data out of the Eurozone has been particularly disappointing of late, partially due to temporary factors. Going forward, Eurozone data should stabilize as a result of strong consumer spending. Brexit uncertainty still looms, but we still believe a "hard" break is unlikely.

The Bottom-line

We expect markets will continue to exhibit bouts of volatility in 2019 as economic growth slows, trade developments make headlines and support from global monetary policy becomes less accommodative. Nevertheless, we believe the recent sell-off during the fourth quarter of 2018 was overblown and has removed much of the overvaluation in the equity markets. Furthermore, sound economic fundamentals should provide some support for markets moving forward.

Important Notices

References to Mercer shall be construed to include Mercer LLC and/or its associated companies.

The views expressed in this report are those of Mercer as of November 26, 2018. Any such views are subject to change at any time and may not reflect Mercer's views on the date that this report was first published or anytime thereafter. These views are intended to assist participants in understanding their investments, do not constitute investment advice, and are not intended to predict the performance of any investment.

This contains confidential and proprietary information of Mercer and is intended for the exclusive use of the parties to whom it was provided by Mercer. Its content may not be modified, sold or otherwise provided, in whole or in part, to any other person or entity without Mercer's prior written permission.

No investment decision should be made based on this information without first obtaining appropriate professional legal, tax and accounting advice and considering your circumstances.

Investing involves risk. The value of your investment will fluctuate over time and you may gain or lose money.

Mercer Investment Management, Inc. and Mercer Investment Consulting LLC are federally registered investment advisers under the Investment Advisers Act of 1940, as amended. Registration as an investment adviser does not imply a certain level of skill or training. Mercer's Form ADV Part 2A & 2B can be obtained by written request directed to: Compliance Department, Mercer Investments, 701 Market Street, Suite 1100, St. Louis, MO 63101.

You should consider the investment objectives, risks, charges and expenses of the investment options carefully before investing. All units of the collective investment funds offered by MTC are exempt from registration under the Securities Act of 1933, and the funds are exempt from regulation under the Investment Company Act of 1940. The units are not insured by the Federal Deposit Insurance Corporation, are not deposits or other obligations of, and are not guaranteed by MTC or any of its affiliates. An investment in units of the funds involves investment risks, including possible loss of principal invested. Please see the ABA Retirement Funds Program Annual Disclosure Document for American Bar Association Members/MTC Collective Trust ("Disclosure Document") for more information, which is available upon request at any time by contacting the Program by phone at 800.348.2272, by email at contactus@abaretirement.com or by writing to ABA Retirement Funds Program, P.O. Box 55072, Boston, Massachusetts 02205-5072. Please read the information carefully before investing.