

## US Economy

The growing strength of the U.S. economy should be sufficient to minimize the impact of any slowdowns in international economies. Going into 2019, U.S. GDP (gross domestic product) is expected to hold steady around 3% from a combination of healthy consumer spending and capital expenditures. Productivity gains from increased business spending should prevent this growth from stoking inflation.

## Monetary Policy

In September, the Fed removed the word "accommodative" from the description of its monetary policy, which suggests they're approaching the end of the current tightening cycle. More rate hikes are on the horizon, but will likely not happen every quarter due to the flattening yield curve and lack of inflationary pressures.

## Bond Markets

With sustained GDP growth at or above 3%, bond yields may continue to push higher across the maturity spectrum. Foreign demand for U.S. Treasuries could mitigate the upward pressure, keeping the yield on the 10-year Treasury at or below 3.25%

High-yield bonds continue to outperform U.S. government and investment-grade corporate bonds thanks in part to low default rates and a strong economic environment. However, given the narrow spreads between high-yield bonds and Treasuries, investors may not get compensated for the added risk, particularly if we see a deterioration in the economy.

## Equity Markets

With interest rates continuing to rise, U.S. equity markets may see P/E multiples contract as cash and bond yields become more appealing. Even so, earnings are expected to keep growing, albeit at a lower rate, into 2019, which should ultimately allow stock prices to slowly advance through yearend.

## Economic Forecast provided by HPM Partners

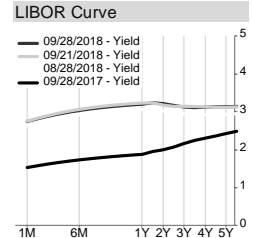
	Current	12-Mo Forecast	2018 est.	2019 est.
Fed Funds Rate	2.25%	2.75%	3.90%	3.80%
Crude Oil WTI (\$/bbl)	\$73.25	\$70.00	3.00%	2.90%
Gold (\$/ozt)	\$1,196.20	\$1,250.00		
US 10-Year Treasury Yield	3.05%	3.25%		
S&P 500 Index	2,936	3,000		
HY Fixed Income Spread**	324 bps	400 bps		

\*Source: Factset  
\*\*High Yield Spread is the BofA Merrill Lynch High Yield Master II relative to the US 10Year Treasury Bond.

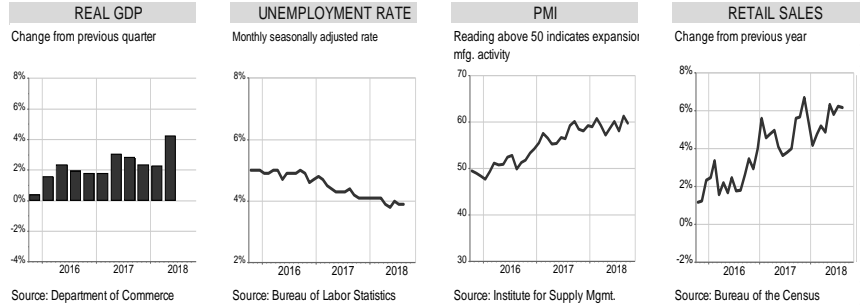
## Rate Environment

	Current		Historical	
	YTD %	52-Wk HI	52-Wk LO	
US Treasury 2yr	2.81%	155 bps	2.84%	1.45%
US Treasury 5yr	2.95%	93 bps	2.98%	1.90%
US Treasury 10yr	3.05%	58 bps	3.10%	2.27%
US Treasury 30yr	3.19%	11 bps	3.24%	2.69%
LIBOR - 3 Month	2.40%	140 bps	2.40%	1.33%
LIBOR - 6 Month	2.60%	128 bps	2.60%	1.51%
LIBOR - 12 Month	2.92%	123 bps	2.92%	1.78%

Treasury Statistics and Libor Curve provided by Factset



## Key Economic Data



## Equity Market Performance

Index	Current	% Change			52 Week		Trailing P/E	Forward P/E	Current Yield
		Last Week	YTD	52 Week	HI	LO			
DOW	26,715.41	-1.07%	8.83%	39.43%	26,743.50	22,381.20	17.73	15.91	2.05%
S&P 500	2,935.80	-0.51%	10.56%	34.70%	2,930.75	2,510.06	18.72	16.86	1.88%
NASDAQ	8,100.77	0.74%	16.56%	49.47%	8,109.69	6,453.45	25.54	22.32	0.00%
R2000	1,698.57	-0.86%	11.51%	27.85%	1,740.75	1,463.79	19.77	22.90	0.00%
VIX (S&P)	11.60	3.77%	9.78%	-13.68%	37.32	9.14	N/A	N/A	N/A

\*Source: Factset

## LBO Market

1Q13 2Q13 3Q13 4Q13 1Q14 2Q14 3Q14 4Q14 1Q15 2Q15 3Q15 4Q15 1Q16 2Q16 3Q16 4Q16 1Q17 2Q17 3Q17 4Q17 1Q18 2Q18

### Purchase Price Multiple

Large Corporate	8.40x	8.70x	9.20x	10.40x	9.70x	9.74x	11.98x	10.15x	10.03x	10.24x	10.19x	9.24x	11.09x	11.35x	11.85x	9.15x	9.91x	10.60x	10.53x	13.20x	10.69x	10.10x
Middle Market	8.60x	7.80x	8.70x	8.10x	8.30x	8.62x	8.90x	8.52x	8.57x	9.56x	9.65x	10.08x	9.63x	9.70x	10.23x	9.64x	9.49x	9.63x	10.82x	10.29x	10.45x	10.66x

### Average Leverage Multiple (EBITDA < \$15M)

Senior Leverage	2.82x	3.30x	3.16x	3.30x	3.23x	3.24x	3.39x	3.35x	3.35x	3.62x	3.39x	3.63x	3.46x	3.78x	3.72x	3.43x	3.86x	3.86x	3.97x	3.83x	4.03x	4.00x
Total Leverage	3.25x	4.09x	3.48x	3.96x	3.85x	3.86x	4.15x	4.01x	3.76x	4.16x	4.10x	4.09x	3.95x	4.28x	4.35x	4.07x	4.31x	4.37x	4.33x	4.22x	4.45x	4.45x

### Average Total Equity Contribution

Private MM	47.2%	49.0%	49.3%	47.3%	48.0%	45.7%	48.4%	52.4%	51.0%	51.4%	52.9%	52.8%	51.9%	54.4%	51.7%	49.8%	55.3%	50.4%	51.9%	55.1%
Institutional MM	43.1%	43.0%	40.9%	42.0%	47.0%	40.4%	45.0%	45.7%	50.0%	44.8%	N/A	49.1%	40.5%	39.1%	42.3%	45.6%	51.0%	55.4%	48.4%	44.0%
Large Corp.	30.8%	31.0%	35.0%	31.4%	40.2%	33.9%	38.5%	39.2%	39.1%	38.5%	43.7%	44.3%	45.5%	35.6%	40.3%	40.3%	37.6%	47.2%	36.3%	35.0%

LBO Market Data was provided by Thomson Reuters

HPM Partners is one of the leading independent wealth managers in the country. The firm provides investment advisory and wealth management services to entrepreneurs, corporate executives, and private equity principals, and retirement plan services to the market. For more information, please visit [www.hpmpartners.com](http://www.hpmpartners.com) or call 2128504271.

HPM Partners LLC ("HPMP") is an SEC registered investment adviser with offices in New York, Illinois, Ohio, Michigan and Delaware. The foregoing is limited to general information about HPMP's services, which may not be suitable for every investor. It should not be construed as personalized investment advice. Past performance is no guarantee of future results. There is no guarantee that the views and opinions expressed in this brochure will come to pass in the financial markets involves risk, including the risk of loss of the principal amount invested, and is not appropriate for everyone. The information presented is subject to change without notice. Information is deemed reliable but is not guaranteed.