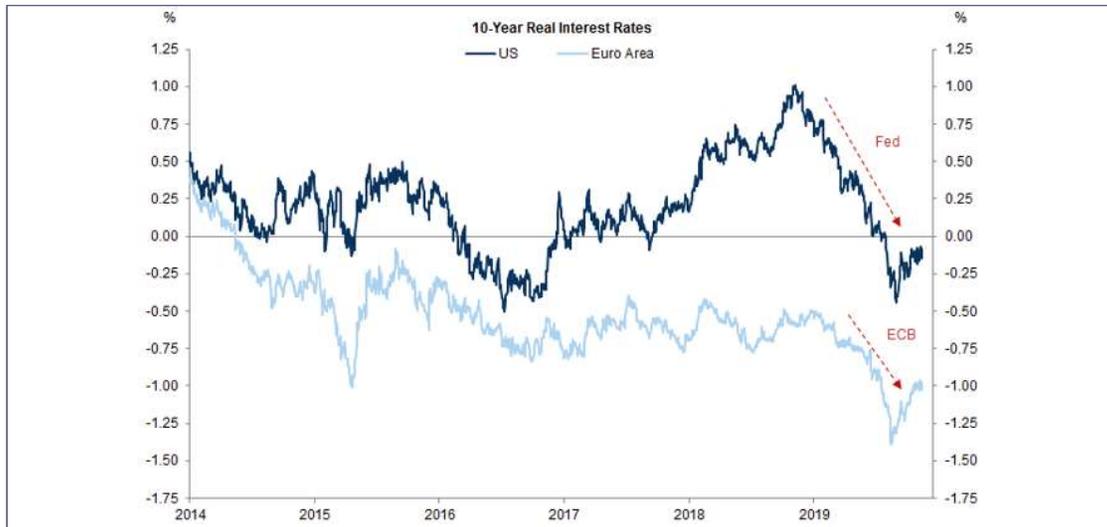


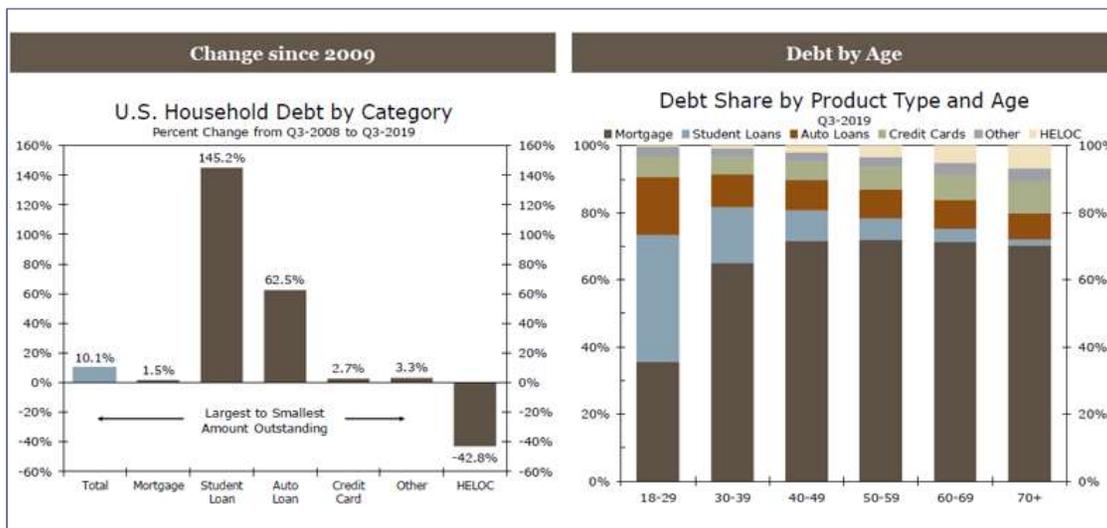
Market Recap

Central Bank Tailwinds to Fade in 2020



Source: Goldman Sachs

Uneven Growth in Household Debt



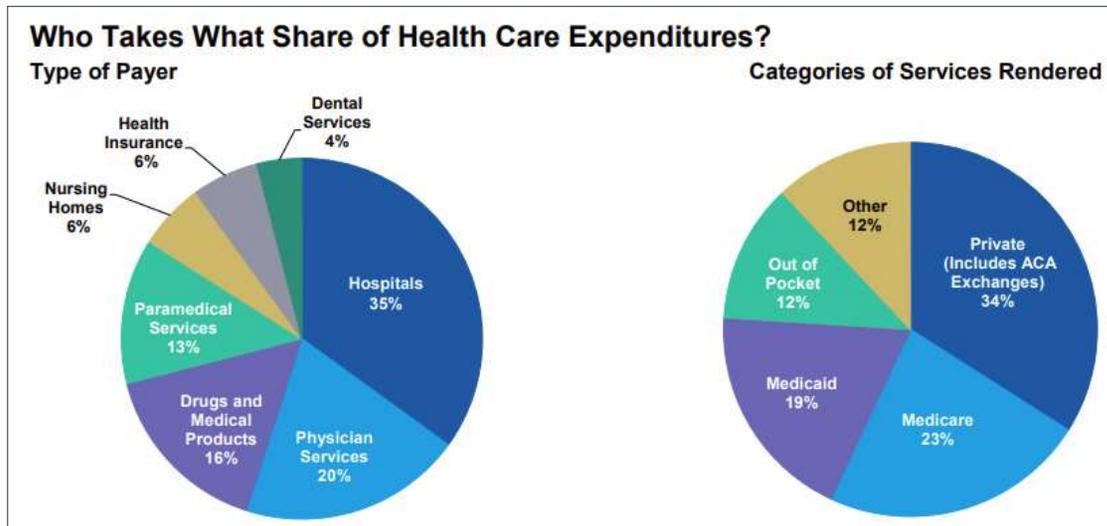
Source: Federal Reserve Bank of New York, Wells Fargo Securities

Earnings for the S&P 500 have more or less flatlined over the past year. This setback notwithstanding, stocks have risen by nearly 30% in 2019. Exceptional returns for both the stock and bond markets this year would have been impossible without support from central banks worldwide. The Federal Reserve boosted asset returns by cutting interest rates three times this year (versus initial expectations of three hikes). However, fears of a recession continue to plague investors. The lowest credit quality bonds in high yield are rated CCC and have underperformed higher-quality bonds rated BB and B this year. Provided that central banks remain on hold, current expectations for a slight rise in earnings suggest more modest returns in 2020.

Since the bursting of the debt bubble during the 2008-2009 Global Financial Crisis, consumer debt has dramatically contracted even as interest rates continue falling closer to zero. While mortgage-related finance (which accounts for two-thirds of overall consumer debt) has been generally flat over the past decade, growth in household debt has been concentrated in student and auto loans. This dynamic has had an outsized impact on millennials, who are saddled with higher levels of student debt than prior generations.

Market Recap

Tackling the Health Care Conundrum



Source: Morgan Stanley

Surviving the Shark Tank

The Sharks' investments: A snapshot
Over 10 seasons, who is leading the pack?
(Top value in each row is highlighted)

	Barbara	Mark	Lori	Robert	Daymond	Kevin
# Deals	85	151	119	88	84	75
Total Invested	\$10m	\$33.6m	\$21.9m	\$24.6m	\$15.1m	\$16m
Avg. Invested	\$194k	\$349k	\$298k	\$380k	\$248k	\$332k
Avg. equity %	31%	27%	24%	27%	34%	24%
Avg. Valuation	\$981k	\$2.2m	\$2.7m	\$1.6m	\$976k	\$2.6m
Fashion/Beauty	19%	15%	18%	18%	29%	8%
Food & Beverage	34%	15%	15%	11%	17%	17%
Fitness/Outdoors	8%	11%	5%	16%	12%	7%
Health/Wellness	5%	5%	4%	6%	2%	5%
Lifestyle/Home	14%	15%	29%	14%	12%	20%
Children	8%	9%	13%	10%	8%	13%
Media/Ent.	2%	3%	2%	5%	4%	3%
Pet products	4%	1%	6%	5%	7%	5%
Software/Tech	4%	11%	6%	8%	5%	12%

Source: The Hustle

Although national politics have become increasingly divisive in recent years, Congressmen on both sides of the aisle seem to agree on the need to contain healthcare costs. U.S. health care spending reached \$3.6 trillion in 2018 (\$11,172 per person) and accounted for 17.7% of domestic GDP. The cause for concern is clear: U.S. health care spending is more than 2.5x the OECD per-capita average, and the situation is only going to get worse as Medicare expenditures rise in tandem with a graying of the population. According to projections from the National Health Expenditure Accounts, spending levels are on track to increase by 5.5% annually and grow to 19.4% of GDP by 2027.

Young companies often struggle to access financing beyond friends and family. Angel investors offer an alternate path for entrepreneurs in search of external funding. Rather than financing via debt, an angel investor receives an ownership stake in the nascent company. Angel investors are typically high net worth individuals who commit their own money and seek a stake of at least 25%. However, these investors are tough negotiators. The reality show entitled Shark Tank included 895 pitches during its first ten seasons. Contestants received over \$143 million and had a 56% chance of finding an investor during these episodes. While Lifestyle/Home companies earned the most funding, the show's investors often allocated more money to industries where they created wealth and have expertise.

Contact: If you have any questions or comments, please do not hesitate to contact us at 703.992.6164. For more information about Harbour Capital Advisors, please visit our website at www.harbourcapitaladvisors.com.

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