MARKET ORIENTED STRATEGY & OUTLOOK

STRATEGY ASSET MANAGERS

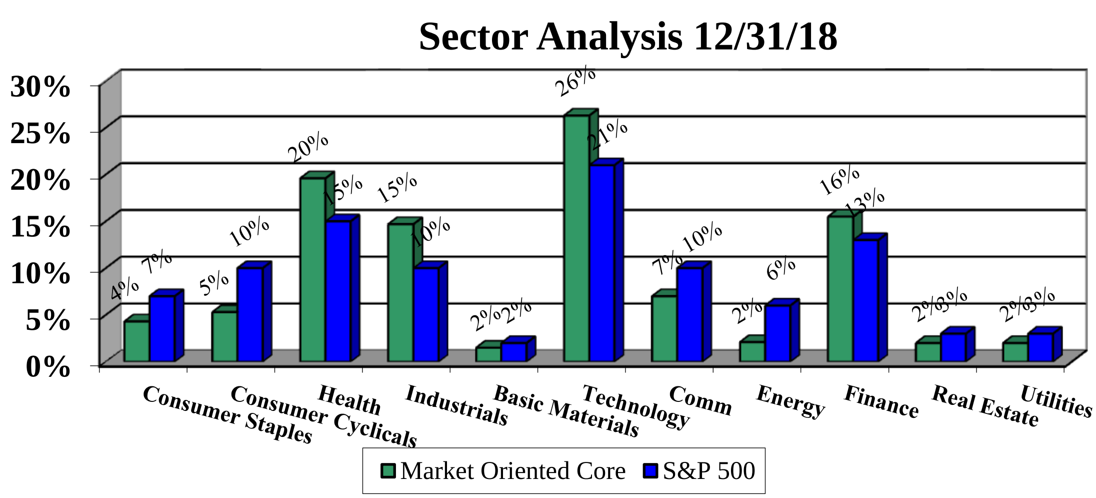
STRATEGY

The Market Oriented Core Strategy had an outstanding recovery in the first quarter of 2019. After giving ground in the Q4 2018 selloff, the MO Core strategy preliminary return is up 16.2% outperforming the S&P 500 return of 13.6%. An excellent start for 2019!

In our Q4 commentary, we alluded to the fact that the very same sectors that contributed to outperformance in the quarter, were the same sectors that were hit the hardest in the sell off as investors sought to lock in profits. As we move into Q1 2019, we had 33 new stocks come into the portfolio, the second upgrade in a row where more than 30 names were sold from the portfolio. The Information Technology and Industrials sectors carried over as two of the overweight sectors, following the January upgrade. The Consumer Discretionary sector was the new sector that moved to an overweight in the quarter vs. the S&P 500 sector, perhaps reflecting the improved outlook for consumer wage growth and low unemployment. People have money to spend.

What was rewarding is the two overweight "carry over" sectors, Information Technology and Industrials were top contributors to performance of the portfolio returning 22.9% and 21.6% respectively. Always rewarding to be overweight a sector and have outstanding stock selectivity in that sector as well. "A win-win!"

The chart below shows the sector weightings as of 12/31/2018.



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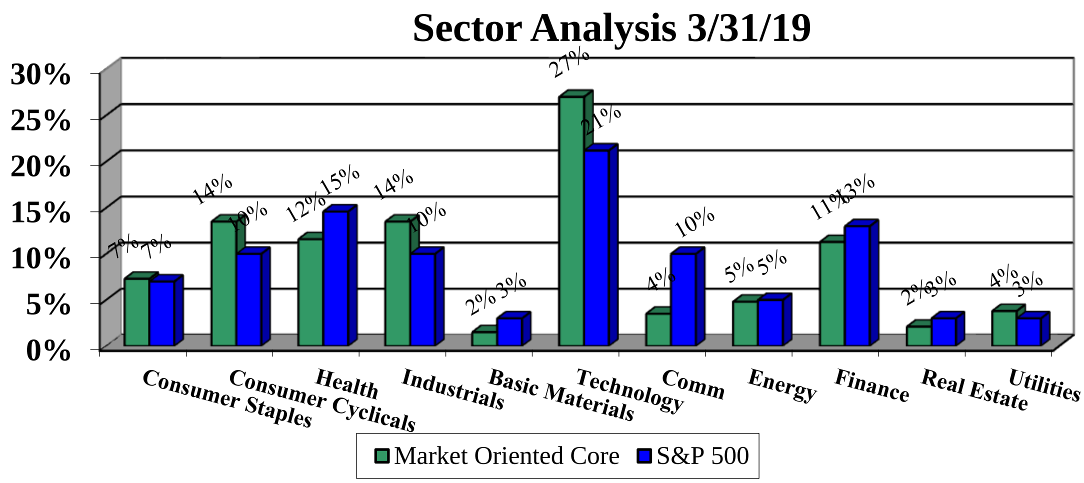

Shown below are the top 5 contributors and detractors for the quarter.

Top 5 Performers in the Quarter		Bottom 5 Performers in the Quarter	
MSCI Inc.	35.3%	CME Group	-12.1%
Intuit	33.1%	Abiomed	-12.1%
Estee Lauder	27.6%	CF Industries	-9.3%
Mastercard	25.0%	J.P. Morgan Chase	0.7%
Progressive Corp.	24.0%	United Health	2.0%

OUTLOOK

The beginning of 2019 is clearly off to a very strong start. We think it is fair to say that as we exit the first quarter, one can expect a more muted short term expectation for stocks. Nonetheless, we are still optimistic about the outlook for the US equity market for the balance of this year. The environment for equities for the last several years has been strong and characterized by moderate economic growth, low inflation rates, low interest rates and strong corporate earnings. While we continue to see many of these aforementioned factors still in place, we are also aware that a slowdown in non-US economies such as China and Europe have negatively impacted earnings growth rates in some areas of the market. But a slowdown in growth does NOT have to result in a tough environment for equities. Instead, lower growth rates combined with a continued low inflation rate will likely keep the Federal Reserve monetary policy accommodative and can actually be the catalyst to provide us with a rewarding year for common stocks.

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For many years now the market has been climbing a wall of worry driven by fears about North Korea, Washington DC investigations, peaking profit margins and concerns about China to name just a few. The concern is that we are "long in the tooth" in this economic expansion and that it will be difficult for the bull run to continue. Yet we see most of the fundamental underpinnings that have created a favorable environment for equities (i.e. corporate earnings, low interest rates etc) have continued unabated. While fears have been stoked from time to time along the way, we find through our research that many of the companies that we invest in for client portfolios are doing well. Furthermore, our investments still represent compelling long term values. The market itself trades at a reasonable valuation on a long term basis and this also creates a potentially favorable backdrop for continued gains in equities for the balance of the year. However, with the S&P 500 Index up 13.6% in the first quarter, one would expect some consolidation of the recent gains in the months ahead. We remain optimistic on the prospects for healthy returns for the year.

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