WORLDWIDE STRATEGY & OUTLOOK

STRATEGY ASSET MANAGERS

STRATEGY

The broader market rebounded very sharply in the first quarter after an exceptionally weak fourth quarter 2018. The rally was fueled by a major pivot in Federal Reserve policy toward a more accommodative stance in response to the release of data that seemed to suggest that the global economy was slowing. The change in policy, combined by an increasing investor optimism taking hold that a deal would at some point be reached between the US and China to resolve trade tensions, led to a sharp increase in equity prices. The snapback in stock prices was most pronounced in aggressive growth stocks. While our strategy defended quite well in the fourth quarter during the rapid market decline, our Worldwide Equity strategy lagged as the market rebounded. The Worldwide Equity did not keep pace with the benchmark for the quarter and returned a preliminary 10.2% versus our Global Equity Benchmark of 12.9%.

Our Worldwide Balanced strategy was only slightly behind the benchmark for the quarter and turned in a 8.2% preliminary return versus the Global Balanced Benchmark of 8.6%. The fixed income portion of the portfolio also had a positive return of 2.2% and benefited from a general decline in interest rates during the period. We are still finding very attractive opportunities in short maturity investment grade corporate bonds. These bonds not only provide better returns than money markets but also serve to dampen volatility in the balanced portfolios during times of market turbulence.

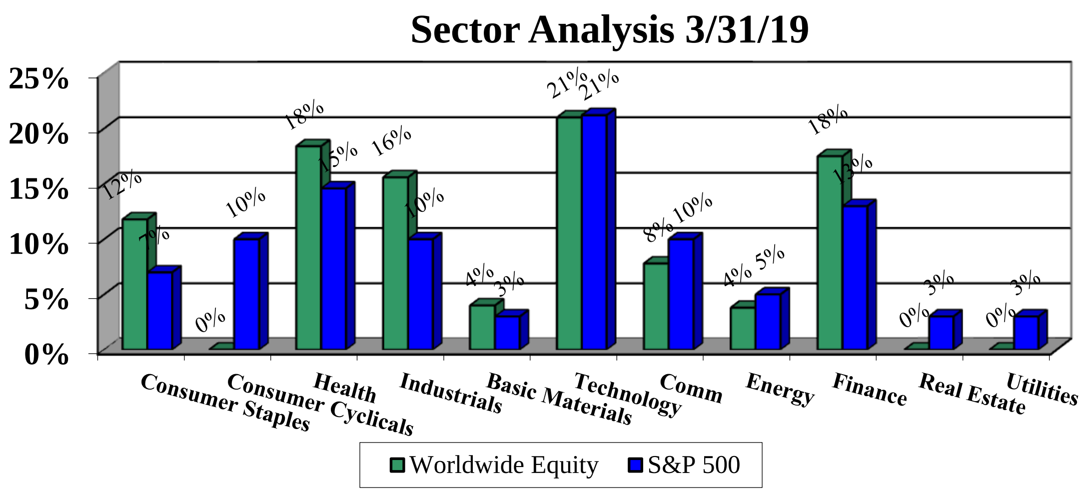
The market continues to favor growth over value but we have seen signs over the last several months that value stocks are starting to do better. The market has started to broaden whereas performance for most of last year had been concentrated in a handful of large cap growth stocks. We still see strong business fundamentals in the companies held In our portfolio and we believe that there is value in our names that has not yet been completely recognized by the market.

From a historical perspective, growth and value stocks as defined by the S&P Growth and Value indices oscillate where one or the other outperforms or underperforms over multi-year periods. This has been especially true over the past 5 years, where growth stocks have been a dominant factor driving market returns. Although the spread in these indices is not as large as what was experienced in the 2000-2002 period, it is large enough to be a performance depressant. If history is a guide, we believe that this trend may have begun to change in the fourth quarter of 2018. At a minimum, the gap between growth and value appears to show the signs of beginning to narrow.

During the first quarter, there was one new purchase and one new sale in the portfolio. We sold International Paper (IP) as we believe that slowing growth concerns globally will likely hamper performance. We put the proceeds into Aon (AON), a leading insurance broker benefiting from healthy trends in the global insurance and consulting sectors. We took advantage of a temporary decline in the share price to accumulate our position and believe that Aon is trading currently at a very attractive valuation.

Past performance is no guarantee of future returns. The Worldwide Strategy & Outlook reflects the views of the Investment Advisor only through the date of this report, and should not be considered investment advice. The Investment Advisor's views are subject to change at any time without notice based on market and other conditions. Portfolio characteristics and holdings are subject to change, and shown for illustrative purposes only. A complete list of holdings for the past year is available upon request. Please refer to the disclosure at the end of this report. March 31, 2019.

The sector chart shows the sector weightings as of March 31, 2019.



We had some very strong relative performance from some of our companies in the quarter.

Top 5 Performance Contributors		Bottom 5 Performance Detractors	
Cisco Systems	25.6%	Bristol Myers Squibb	-7.4%
Honeywell Intl.	20.9%	Pfizer	-1.9%
Altria Group	17.9%	DowDuPont	0.4%
Nestle ADR	17.7%	Walt Disney	1.3%
Diageo ADR	16.4%	Maxim Integrated	5.5%

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.

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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FOR MORE INFORMATION, PLEASE CONTACT STRATEGY ASSET MANAGERS AT:
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