

# Global Income Strategy

Portfolio and Economic Commentary – 1<sup>st</sup> Quarter 2018





**GLOBAL INCOME STRATEGY COMMENTARY**

Our investment philosophy is predicated on a time-tested, three pronged approach providing solid risk adjusted returns to our investors for over two decades.

- We believe in the importance of getting paid immediately for the risks which are taken and focus on businesses which compensate our clients with **dividends and above average interest**. We believe this income stream, coupled with capital appreciation, is a vital aspect of total return.

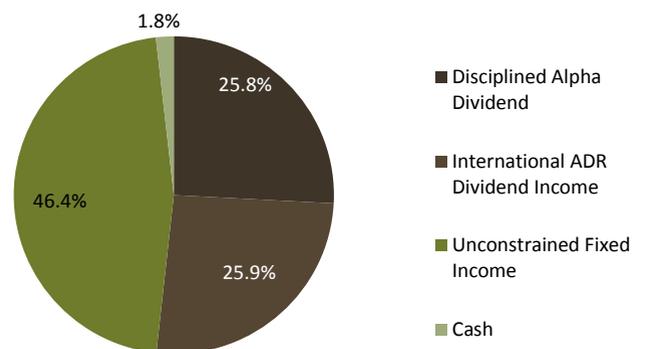
- We dig deep for **value** often viewing crisis as an opportunity. We believe that fundamental research and patience are critical to long term success and that over time, the price of a company will rise to reflect the value of the underlying firm viewing each purchase as if we were buying a piece of a business – not simply a stock certificate.
- We believe that **global revenue generation** is a key component to growth and sustainability and invest in companies with global growth opportunities. We are unafraid to take contrarian positions, but remain diligent about the risks of a global economy.

**PERFORMANCE COMMENTARY**

The Global Income strategy posted a small loss of 0.63% for the quarter versus a loss of 1.01% for the blended balanced benchmark. The annualized trailing returns for the strategy since our inception on January 1, 2003 are 7.18% versus 7.59% for the blended benchmark and 6.46% for Morningstar’s US Fund Allocation – 50% to 70% Equity. The twelve month trailing yield for the Global Income strategy stands at 4.69% versus 1.71% for the Vanguard Balanced index fund (VBINX).

We remain underweight to a traditional 60% stock/40% bond portfolio due to the risks which remain and valuation metrics. That said, our portfolio maintains a reasonable 12.45 P/E (TTM) which is significantly lower than the broader market indices – most of which currently maintain multiples in excess of 20 times trailing earnings. Our focus continues to emphasize the importance of immediate income to our investors particularly in this volatile, low interest rate environment, which we believe will persist for longer than most economists. In the fixed income sector, our emphasis remains on high yield bonds, which we believe more adequately compensate our investors for credit risk, while providing better protection in a potentially rising interest rate environment. The following is an analysis of the independent strategies which comprise our flagship Global Income strategy in percentages indicated above.

**Sector Allocation**



**Top Five Equity Holdings** **Weight**

Intel	1.17%
Barclays	1.10%
Cisco Systems	1.08%
Astrazeneca	1.06%
Phillips 66	1.03%

**Top Five Fixed Income Holdings** **Weight**

Treehouse Foods	0.60%
AMC Entertainment	0.59%
Quad/Graphics	0.59%
Tempur Sealy	0.59%
Coeur Mining	0.58%



**DISCIPLINED ALPHA DIVIDEND STRATEGY COMMENTARY**

As value investors, we constantly focus on our duty to protect the principal of our investments even as we look for ways to grow them over time as well. As economists, we remain alert to trends taking place in the larger global economy. As analysts, we seek to invest in securities priced with a margin of safety in order to account for their near term volatility and our uncertainty about what the future holds. With this in mind, we look for opportunities in three specific categories: classic value, persistent earners, and distressed or contrarian.

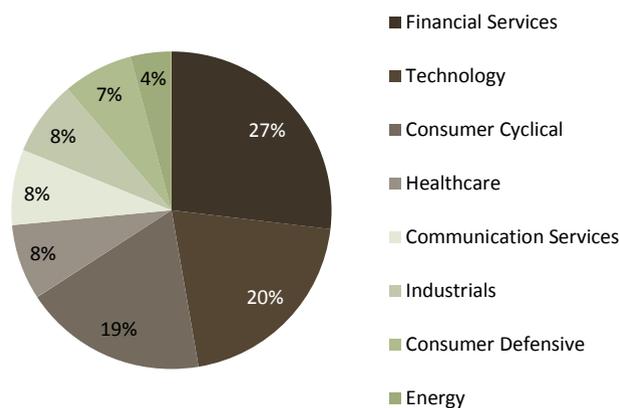
Classic value stocks sell at attractive valuations and provide above-average dividend yields and growth. Persistent earners are companies which have steady and predictable earnings and that are selling below their historic valuation. The distressed/contrarian category refers to stocks that are out of favor due to what we perceive to be temporary factors and are likely to appreciate substantially as the temporarily distressing factor recedes. Typically the distressed category is the smallest in the portfolio.

**PERFORMANCE COMMENTARY**

The Disciplined Alpha Dividend strategy has declined 2.18% while the Russell 3000 Value index has lost 2.82% this quarter. The strategy has produced outstanding ten-year risk adjusted returns besting its indices and peer group for the period earning a Morningstar 4-star overall and 10-year rating. The trailing annualized ten year returns were 9.58% for the strategy, 7.84% for the Russell 3000 Value index and 9.54% for the Dow Jones US Select Dividend index. Since inception on January 1, 2003, the strategy has returned 9.10% versus 9.26% for the Russell 3000 Value index and 9.71% for the Dow Jones US Select Dividend index.

Our sector allocation weighting and active return have added to relative performance for the year against the Russell 3000 Value index. The healthcare, consumer discretionary, and technology sectors have been our largest contributors to active return, while the consumer defensive, communication services and consumer cyclical sectors were the largest detractors to relative performance. Though maintaining a focus on dividends and above average income generation, we believe the utility and real estate sectors remain overvalued and will perform poorly in a potentially rising interest rate environment. The top performers for the quarter were DineEquity (81.8%), AbbVie (29.3%), Intel (13.6%), Cisco (13.3%) and Caterpillar (12.7%). The bottom performers for the quarter were B&G Foods (-32.1%), Mattel (-14.7%), Wells Fargo (-12.8%), Principal (-12.6%) and Qualcomm (-12.7%).

**Sector Allocation (Morningstar)**



**Top Ten Holdings**

**Weight**

Intel	4.50%
Cisco Systems	4.15%
Phillips 66	3.97%
JPMorgan Chase & Co.	3.95%
Aflac	3.95%
Ford Motor Company	3.93%
Apple	3.88%
International Business Machines	3.84%
Pfizer	3.84%
New York Community Bancorp	3.78%



### DISCIPLINED ALPHA DIVIDEND STRATEGY COMMENTARY

As one may recognize from the below chart, our firm has consistently provided a steady stream of income to our clients in the form of dividends. It is our assertion that this income stream has not only reduced the risk of our portfolio, but also provided a large part of the total return thereby leading to our performance success over this past tumultuous decade plus.

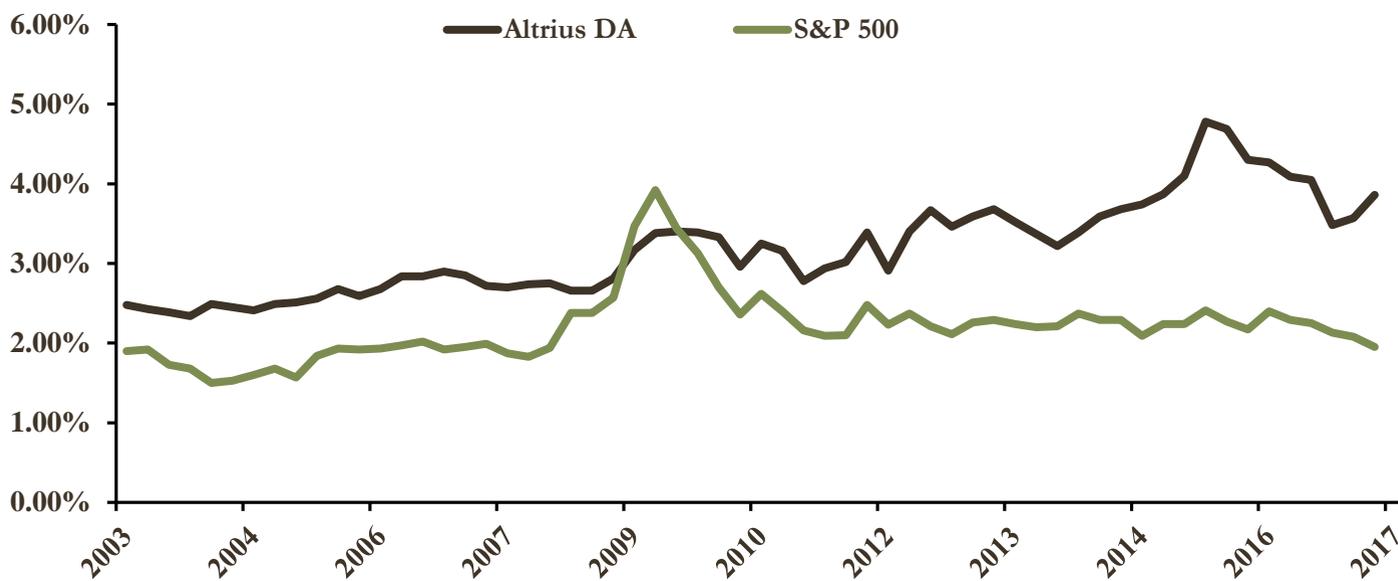
We believe that dividends allow our investors to “get paid to wait” while patiently working through volatile business and market cycles. This strategy provides emotional support during difficult cycles enabling investors to weather turbulent periods utilizing dividend income for personal needs or to reinvest cash at lower valuations. Our strategy is not only grounded in psychological and behavioral finance concepts, but is also supported by empirical evidence outperforming in both negative and full market cycles.

Dividends also act to align the interests of corporations and shareholders in helping to eliminate the agency effect. Corporate boards have recognized the value of dividends in stabilizing their stock price and encouraging investment during both high and lower tax regimes. In supporting and increasing dividends over time, managers are compelled to maintain a reliable stream of cash flows to shareholders rather than waste capital on those expenses adding little to corporate revenue including executive perks, pet projects, and ill-timed, unwise acquisitions. It appears a paradox; however, our experience and academic studies have displayed that sufficient investment for a good business can still occur in conjunction with dividends as managers are forced to invest cash flow more prudently and only in those capital investments in which they have the highest conviction in adding to corporate revenue particularly since stocks buybacks are often ill-timed.

#### ALTRIOUS: A STORY OF CONSISTENT DIVIDENDS OVER THE YEARS

The strategy has consistently delivered an above average dividend yield versus the S&P 500 since its inception.

### Altrius Disciplined Alpha Dividend Income vs. S&P 500 Dividend Yield



Source: Morningstar



**INTERNATIONAL ADR DIVIDEND INCOME STRATEGY COMMENTARY**

As value investors, we constantly focus on our duty to protect the principal of our investments even as we look for ways to grow them over time as well. As economists, we remain alert to trends taking place in the larger global economy. As analysts, we seek to invest in securities priced with a margin of safety in order to account for their near term volatility and our uncertainty about what the future holds. With this in mind, we look for opportunities in three specific categories: classic value, persistent earners, and distressed or contrarian.

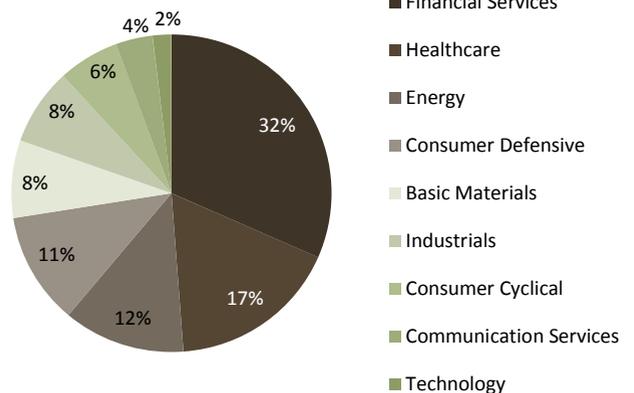
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**PERFORMANCE COMMENTARY**

The International ADR Dividend Income strategy has declined 1.42% outpacing its indices for the quarter. The MSCI EAFE Value index was lower by 2.03% while the S&P Int'l Dividend Opportunities index lost 2.55%. Since its inception on June 1, 2010, the strategy has produced annualized returns of 6.57% versus 4.85% for the S&P Int'l Dividend Opportunities and 7.02% for the MSCI EAFE Value indices respectively. Since its inception, the strategy has produced alpha against the MSCI EAFE Value index due to its lower beta.

Our sector allocations detracted slightly from relative performance while stock selection had a positive impact on active return versus the EAFE Value index during the quarter. The energy, financial services and technology sectors attributed the greatest portion to relative outperformance while healthcare, consumer defensive and utilities were the largest detractors to active return. Going forward, we believe we will find more value amongst international issues than U.S. companies while expecting the energy and basic materials sectors to be continued benefactors of global economic stabilization. The top performers for the quarter were GlaxoSmithKline (12.1%), Statoil (11.5%), Taiwan Semiconductor (10.4%), Barclays (8.4%) and Aegon (7.5%) while the bottom performers were British American Tobacco (-12.8%), Vodafone (-12.8%), Teva Pharmaceuticals (-9.8%), Bayer (-9.0%) and Westpac Banking Corp (-9.0%).

**Sector Allocation (Morningstar)**



**Top Ten Holdings**

**Weight**

Barclays	4.18%
Astrazeneca	4.05%
Lloyds Banking Group	3.81%
Teva Pharmaceutical	3.77%
HSBC Holdings	3.64%
Statoil	2.10%
Aegon	2.08%
Lazard LTD	2.07%
Taiwan Semiconductor	2.07%
Honda Motor	2.04%



**INTERNATIONAL ADR DIVIDEND INCOME STRATEGY COMMENTARY**

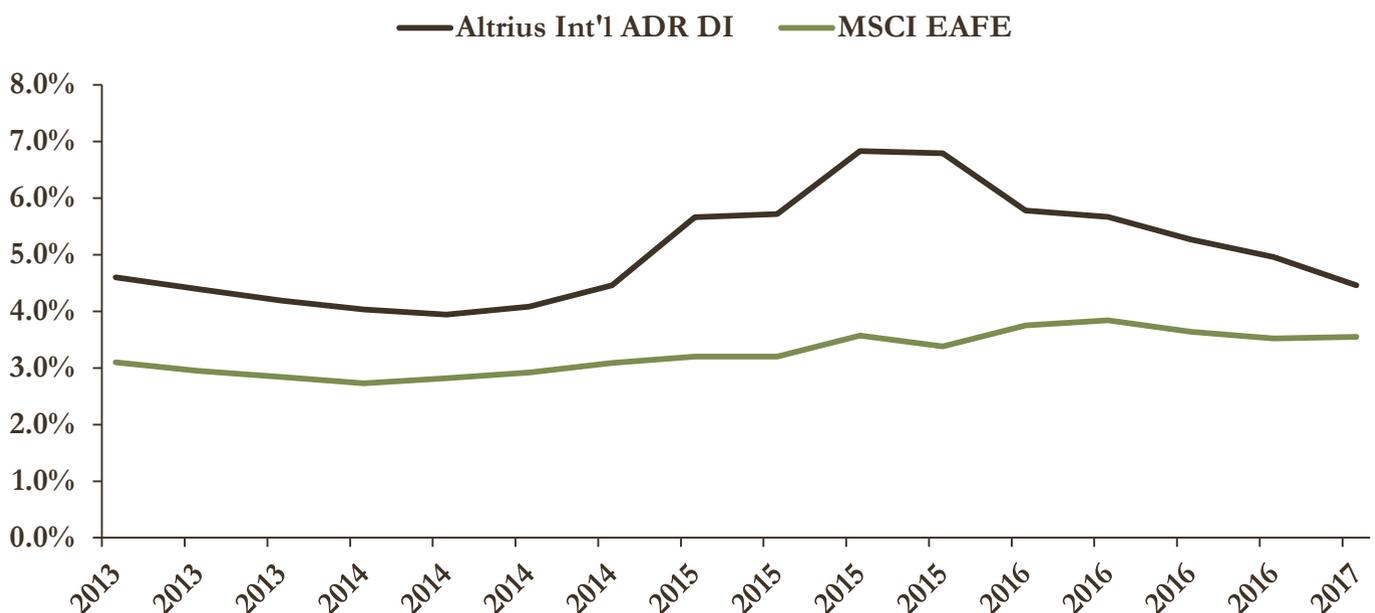
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**ALTRIOUS: A STORY OF CONSISTENT DIVIDENDS OVER THE YEARS**

The strategy has consistently delivered a higher dividend yield than the MSCI EAFE index since its inception.



Source: Morningstar



**UNCONSTRAINED FIXED INCOME STRATEGY COMMENTARY**

Based on our macroeconomic outlook over a three to five year period and our cyclical views from quarter to quarter, we employ top-down strategies that focus on yield curve positioning, volatility, and sector rotation. We then utilize bottom-up analysis to drive our security selection process and facilitate the identification of undervalued securities with the potential for above average income. We invest in securities that operate across diversified sectors in the fixed income markets of the United States, primarily those in U.S. dollar denominated high yield and investment grade bonds,

including government securities, corporate bonds, and mortgage- and asset-backed. Sources of added value:

**Credit Analysis** - We emphasize independent analysis and do not rely on credit agencies.

**Duration Risk** - We avoid long, extreme duration shifts generally operating within a moderate duration range typically between two and four years.

**High Income** - Our research attempts to identify issues paying above average income.

**Risk Premium Management** - We seek to attain an attractive yield/spread in relation to a five-year treasury within acceptable levels of portfolio risk.

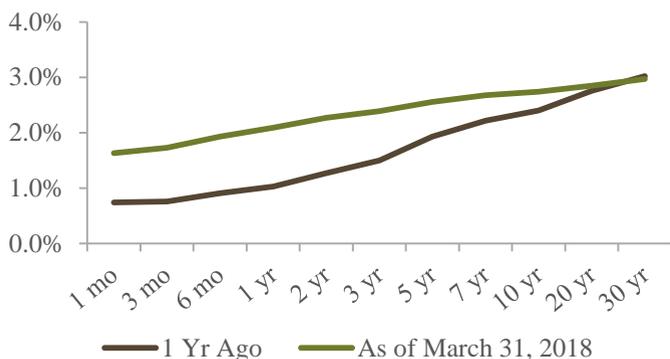
**PERFORMANCE COMMENTARY**

**MARKET OVERVIEW**

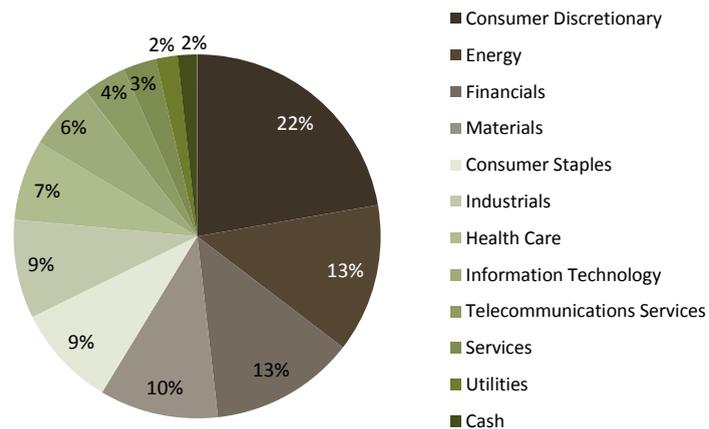
All major segments of the broad-based US fixed income market closed the first quarter of 2018 in negative territory with the Barclays US Aggregate Bond index generating a loss of -1.46%. Longer dated treasury bonds, the best performing fixed income segment in 2017, were the hardest hit in the quarter with the 30-year US Treasury declining -3.89% followed by a -2.39% loss for the 10-year. In the corporate bond market, higher quality investment grade issues lagged their lower rated high yield counterparts with the Barclays US Corporate Investment Grade and ICE Bank of America Merrill Lynch High Yield Total Return indices each declining -2.32% and -0.91% respectively for Q1 2018.

Yields across the Treasury curve rose to multi-year highs

US Treasury Yield Curve



**Sector Allocation**



**Top Ten Holdings**

**Weight**

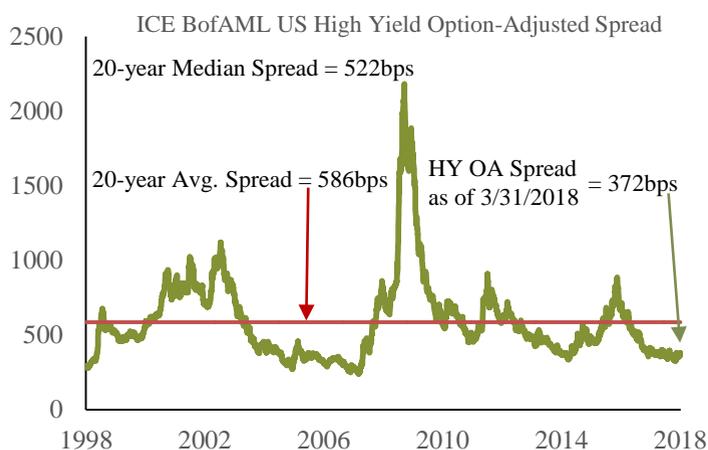
Tempur Sealy	1.25%
AMC Entertainment	1.25%
Quad/Graphics	1.25%
Oppenheimer Holdings	1.23%
Infor	1.23%
Treehouse Foods	1.23%
Lifepoint Health	1.22%
Signet UK Finance	1.20%
American Axle & Manufacturing	1.20%
Avis Budget Car Rental	1.20%



**UNCONSTRAINED FIXED INCOME STRATEGY COMMENTARY**

during the quarter as the curve continued to flatten with the differential between the 2-year and 10-year contracting from 51bps at the beginning of the year to 47bps by quarter end.

Aggregate credit spreads for both high yield and investment grade corporate bonds exhibited a modest degree of expansion during the quarter, with long-term averages remaining largely unchanged.



**PERFORMANCE SUMMARY**

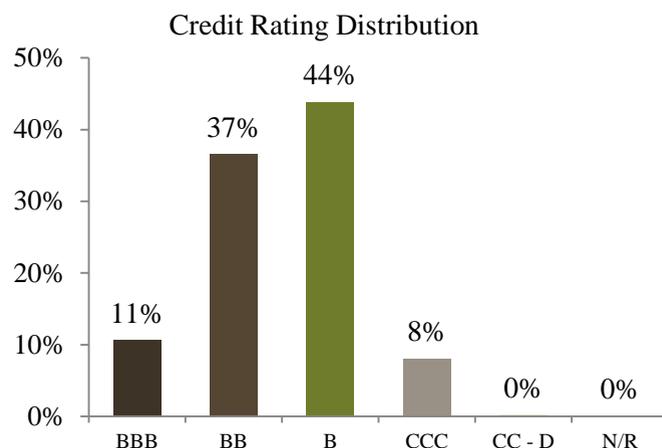
The Unconstrained Fixed Income strategy produced exceptionally strong results for the first quarter of 2018 generating a gross return of +0.68%, outpacing both the Barclays US Aggregate Bond and the ICE Bank of America Merrill Lynch High Yield Total Return indices, which each ended the quarter down -1.46% and -0.91% respectively.

**STRATEGY CHARACTERISTICS**

The strategy is heavily invested in the consumer discretionary, energy, and financial services sectors, with each accounting for approximately 22.1%, 13.1%, and 12.7% respectively of total strategy assets as measured by aggregate market value as of 03/31/2018. Exposure to the materials, consumer staples, and industrials sectors is also robust with each accounting for 10.4%, 9.0%, and 8.7% respectively. Despite the seemingly high degree of investment exposure to the aforementioned sectors, the strategy is always invested in an array of unaffiliated

companies within each sector in order to provide broad diversification and help mitigate against issue specific credit risk.

Both the aggregate maturity and overall duration of the strategy remained largely unchanged over Q4 2017 levels, ending the quarter at 3.60 years and 3.07 respectively. The strategy's overall credit quality remained unchanged over the prior the quarter, and currently stands at 'B+'.



**STRATEGY OUTLOOK**

Despite the widespread turmoil that reeled through the fixed income markets in the first three months of the year, corporate bond prices remain high. Call activity in the broader market and within the Unconstrained Fixed Income strategy continued unabated during the quarter, a trend we anticipate to persist throughout 2018 even as rates continue to rise. During the quarter we replaced a number of positions 'called in full' within the strategy with longer dated paper of the same issuing companies given improved fundamentals of said companies and favorable economic outlooks for their respective industries. We initiated a number of new positions during the quarter in companies operating across a broad array of industry sectors with credit ratings ranging from CCC+ to BB+; a trend which will mostly likely persist throughout 2018 as we currently do not favor one industry or credit segment over another at this time.



## MARKET AND ECONOMIC OUTLOOK

Volatility returned to the financial markets in the first quarter, for the first time in a while. Global equity investors had a particularly bumpy ride—an experience we’d suggest getting used to for the months and years ahead. Stocks surged out of the gates in January, with larger-cap U.S. stocks up nearly 8% at the market high on January 26 (S&P 500 Index). This was followed by a short but sharp market correction, which dropped the market 10% over the next nine trading days. The VIX volatility index had its biggest one-day move *ever*, spiking more than 100% on February 5. U.S. stocks then rebounded into mid-March, clawing back much of their losses, before dipping again into quarter-end, buffeted by fears of a potential trade war with China (and possibly some U.S. allies as well) and a Facebook data scandal. When the dust settled, large caps ended down 0.8% for the quarter.

Developed international stocks also got off to a strong start to the year, before suffering similar losses to U.S. stocks during the sharp correction in early February (MSCI EAFE Index). They made up ground relative to U.S. stocks in March and ended the quarter down 1.5%.

Investment grade (core) bonds didn’t play their typical “safe-haven” role in the first quarter. They posted losses during the sharp stock market correction in February and delivered a 1.5% loss for the quarter overall, as Treasury yields rose across the maturity curve (Bloomberg Barclays US Aggregate Bond Index).

### The Return of Stock Market Volatility

- The 10% market correction was short-lived, but it provided a reality check for equity investors.
- However, the U.S. economy and wider global economy still looks sound in the near term.
- Looking ahead, we have positioned our portfolios for further volatility and likely lower equity returns as the markets ride out what is already a longer-than-usual economic cycle.

In our 2017 year-end commentary, we noted that by some measures U.S. stock market volatility was the lowest it had ever been in 90 years of market history. Of course, most experienced investors knew that was unsustainable. We also knew the exact timing, magnitude, and catalyst of a market disruption couldn’t be predicted with any precision. We highlighted central bank policy tightening as a potential or likely trigger, along with the ever-popular and all-purpose “unexpected geopolitical shock.”

As it turned out, the catalyst was an economic data point in early February showing higher-than-expected U.S. wage inflation. It unnerved markets to think that overall inflation may be rising more rapidly, thereby suggesting the Federal Reserve would tighten policy (raise interest rates) more aggressively than the consensus had been expecting. Selling then begat more selling, as short-term traders (the speculative herd) rushed to unwind their misplaced bets that the very low market volatility regime *would* continue.

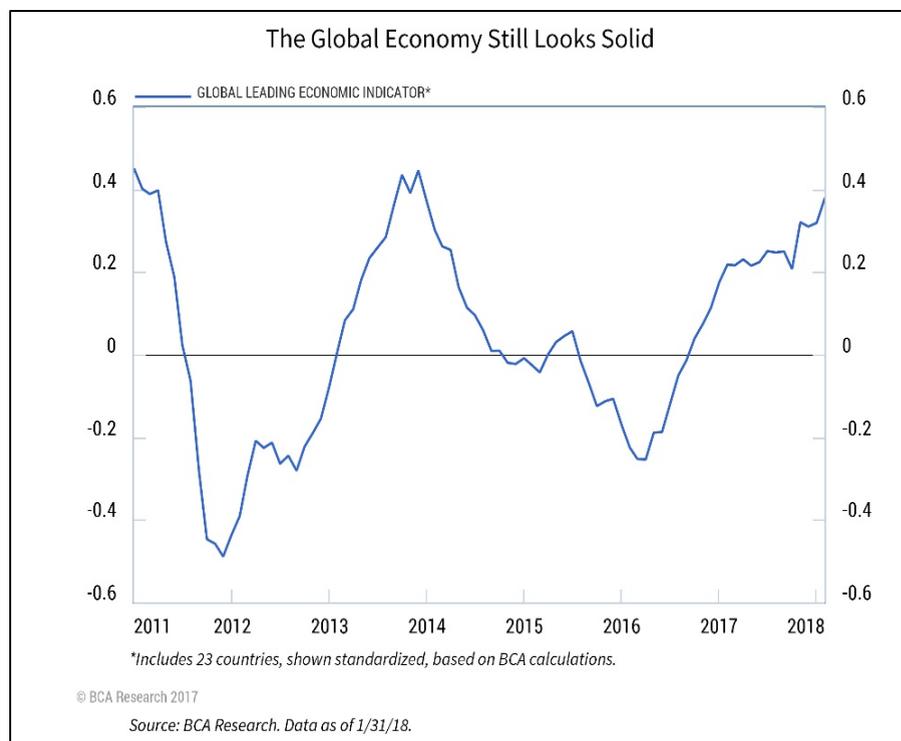
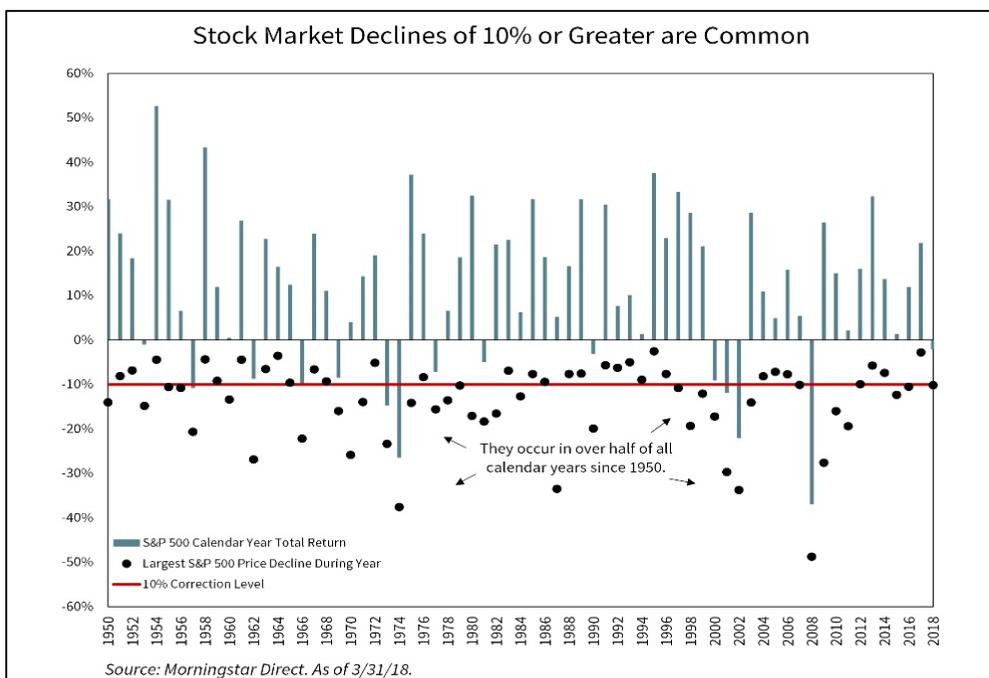
Although the 10% market correction proved to be very short-lived, it may still have provided a nice reality check for some investors in terms of testing their *true* risk tolerance as compared to a hypothetical risk scenario on a questionnaire or in an initial discussion with our financial advisors. To the extent you were paying attention to the markets and your portfolio during that nine-day period: how did it feel to see the value drop by that magnitude? If it was starting to cause heavy discomfort or stress, that’s probably a sign you are not in a portfolio with the right risk level. Stock market corrections of 10% or more in any given year are very *normal*. Historically, they’ve happened more than half the time. (A 5% decline has happened in more than 90% of years.) We think this is a reasonable expectation for the future as well. That is why stocks are called “risky assets.” In exchange for their higher long-term expected



**MARKET AND ECONOMIC OUTLOOK CONT.**

returns, you must be willing and able to ride through their inevitable periods of decline.

From our perspective, as the market correction unfolded we were starting to view it as potentially creating an opportunity to reallocate some capital back into stocks. However, the selloff ultimately didn't go nearly far enough (i.e., stocks didn't get cheap enough) for us to see an expected benefit from making any portfolio changes, so we maintained our positions.



**The Market Correction Was Not Caused by Deteriorating Economic Fundamentals**

Another observation about the market correction in February is that it was caused *not* by indications of an economic slowdown or recession, but by fears the economy may be getting a bit too *strong*, with a tight labor market finally causing rising wage growth and broader inflationary pressures. Fundamentally, even after the correction, the U.S. economy and global economy still look solid. Global growth may no longer be accelerating, but it remains at above-trend levels and the likelihood of a recession over the next year or so still appears low (absent a

macro/geopolitical shock). The global economic and corporate earnings growth outlook has not materially changed from what it was earlier in the year. The near-term macro backdrop is still supportive for riskier assets such as global stocks, even though the U.S. economic recovery is getting long in the tooth.



**MARKET AND ECONOMIC OUTLOOK CONT.**

**Where Do We Go from Here? Shorter-Term Paths vs. Our Five-Year Outlook**

A positive near-term economic view doesn't mean we aren't cautious over our five-year investment horizon. Our analysis remains the same as we outlined most recently in our year-end commentary, the key driver being that the valuation of the S&P 500 Index is above our estimate of its fair-value range on a normalized (longer-term) basis. Should the valuation multiple decline, it will be a drag on the total return of the market index. We estimate a low single-digit annualized five-year return for U.S. stocks in our base case scenario, which we think is the most likely outcome. However, there is a wide range around that base case, incorporating bearish and bullish scenarios. We believe stock selection is imperative over the next five years due to higher valuation growth stocks (i.e. FANG among others) driving the broader market indices to less realistic valuations.

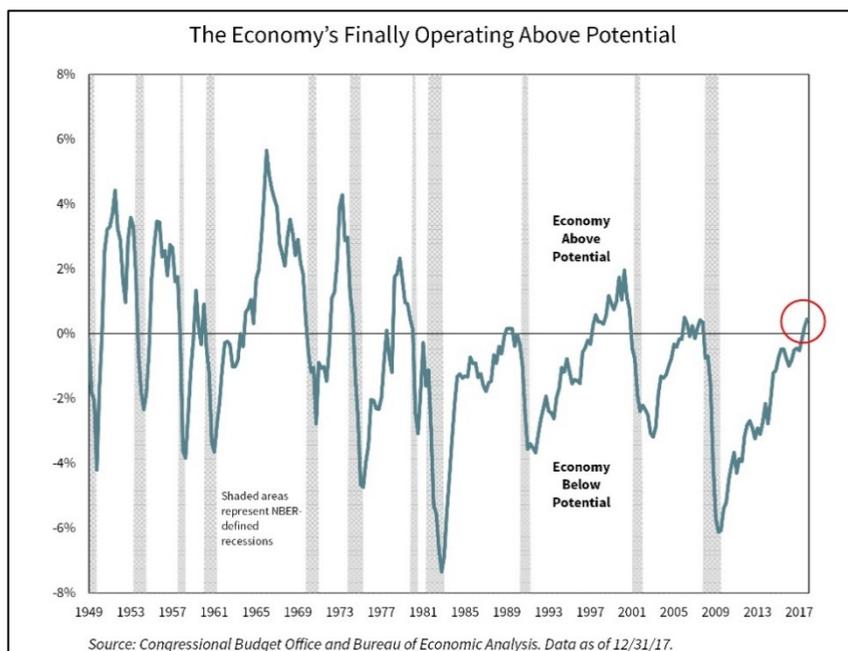
Our base case five-year expected return estimates are meaningfully higher for European and international stocks—in the mid- to upper single digits, at least. We view these as *relatively* attractive returns compared to U.S. stocks but not table-pounding in an absolute-return sense given the downside risks inherent in owning equities. Our analysis leads us to overweight positions in both European and international markets, a meaningful underweight to U.S. stocks, and therefore an underweight to equities overall.

Focusing further on our equity market scenarios: We emphasize a five-year or longer time horizon as the basis for our expected-returns analysis because valuation (what you pay for an investment relative to its future cash flows) has been the strongest predictor of returns over longer-term periods. By contrast, over the shorter term, markets are driven by innumerable and often random factors that are impossible to consistently predict (although that doesn't stop lots of people from trying).

Nevertheless, it can be a useful exercise to think about—and mentally, emotionally, and financially prepare for—some potential *paths* the economy and financial markets may take over the next few years that are consistent with our five-year scenarios. These paths can also highlight some of the *shorter-term* risks that we take into account—along with the *longer-term expected returns*—when we construct and stress-test our client portfolios.

**A Potential Path for the Economy**

From a U.S. macroeconomic perspective, a recession does not appear to be on the near horizon. However, the U.S. economy is getting late in its cycle. (If U.S. GDP growth continues another 15 months, this will be the longest U.S. expansion in post-war history and twice as long as the average upturn.) Our economy is now operating at or slightly above its potential, as measured by the low unemployment rate and actual GDP above CBO *estimates* of potential GDP. At the same time, the Trump tax cuts and new fiscal spending bill should stimulate more demand, in the short





## MARKET AND ECONOMIC OUTLOOK CONT.

short run at least. Given the economy is already at its potential, these deficit-financed measures may be inflationary.

Consistent with this phase of the economic cycle, the Fed has been tightening monetary policy—raising the federal funds policy rate and unwinding its balance sheet by selling bonds it purchased during quantitative easing. They have done this in a gradual, deliberate, and well-telegraphed manner so far. However, given we are coming off a sustained period of unprecedented global central bank market intervention, and monetary stimulus that has boosted asset prices, the risks of a policy mistake or market hiccup remain high.

The inflationary potential of the new fiscal stimulus further raises the risks. On the one hand, to prevent an inflationary spiral, the Fed might pre-emptively tighten more quickly than the market currently expects or than the economy can handle. Alternatively, the Fed could fall behind the inflationary curve by not tightening quickly enough and then have to take more aggressive measures later, causing a sharper eventual economic downturn.

Obviously, neither outcome would be good for the stock market, which is still counting on a Goldilocks economic scenario (not too hot, not too cold). Investment grade (core) bonds would also get hit (rising yields mean falling prices) at the same time stocks are dropping. Investors got a taste of this during the February market correction.

There are, of course, myriad other risks besides central bank policy (there always are). The potential for a trade war between the United States and China rose to the fore at the end of March, with threats and counter-threats. Stock markets tumbled on the news and remained jittery into quarter-end. No one knows how it will all play out, but rational observers agree that a full-blown trade war would be highly damaging to *all* economies involved. As such, the hope is the actors involved won't allow it to get to that point. One possible outcome is that some relatively minor, targeted tariffs and restrictions are imposed, which would impact individual industries and companies (perhaps meaningfully) but would not have a major impact on the overall U.S. and global economy. However, one never knows particularly with this unpredictable President. While still a minority, there is a strong nationalist/populist/anti-globalist base in the United States and elsewhere, and they are not known for their even-handed policy-making.

Putting a trade war to the side for the moment, we think it is likely that inflation continues to move higher in this economic cycle albeit gradually. The core PCE inflation rate is still below the Fed's 2% target and we don't expect a large inflationary surge in our base case. As such, we would expect the Fed to continue its path of gradual rate hikes and quantitative tightening over the next couple of years. But as we've said before, not even the Fed itself knows exactly what it will do.

Eventually, absent a major macro shock, we'd expect monetary policy and overall financial conditions to tighten to the point where economic activity and asset prices take a hit and the economy rolls over into a recession accompanied by a full-blown bear market in U.S. stocks. That bear market could easily see a 20% to 25%-plus decline. This would be true to the typical historical pattern of Fed tightening and an equity bear market preceding—and having a strong hand in *causing*—most recessions.

Though central bankers are aware of this history, they are still forced under their mandate to respond to signs of rising inflation to prevent excesses and imbalances that could lead to even worse economic damage. Ultimately, the Fed has an impossible job trying to fine-tune monetary policy to prevent or limit recessions given the uncertainties and lags between Fed actions and their ultimate economic impacts - not to mention all the other variables that affect the economy that are beyond the Fed's control. The business cycle is here to stay.



## MARKET AND ECONOMIC OUTLOOK

### Concluding Comments

Suffice it to say, there are many potential shorter-term paths to reach our five-year base case scenario destination. There is also a wide range of reasonably likely five-year outcomes around our base case that we attempt to capture in our bullish and bearish cases. Simply put: markets and economies are not that predictable. This makes logical sense, given the vast number of ever-changing, interacting, nondeterministic variables that drive them (including human beings). It's one of the reasons I find economics the most interesting of the sciences as the complexity of the mind and human actions often confounds reason. A quick study of financial market history makes this clear as well.

We believe that acknowledging and internalizing the inherent uncertainty in this endeavor is extremely beneficial. It can help immunize investors from over-reacting to short-term events—particularly unpleasant ones—and restrain our natural human inclination to “do something” in response to pain and discomfort. In the real world this human inclination to action is beneficial—thanks to our ancestors it's why we are all here (and weren't eaten by lions). However, when it comes to the investment world, it leads most investors to undisciplined performance-chasing and other detrimental portfolio moves. Numerous reputable studies have quantified this. As Vanguard founder Jack Bogle put it, “Investors are their own worst enemy.” Or as Walt Kelley's *Pogo* more famously said: “We have met the enemy and he is us.”

The best defense against that enemy is a sound, fundamentally grounded investment process that an investor has confidence in and is therefore able to stick with for the long term—through the ups and downs of market cycles, economic cycles, political cycles, and daily news cycles.

As always, we thank you for your continued confidence and trust. Please don't hesitate to contact us with any questions regarding our outlook, strategy or your personal financial circumstances.



## DISCLOSURES

This report includes candid statements and observations regarding investment strategies, individual securities, and economic and market conditions; however, there is no guarantee that these statements, opinions or forecasts will prove to be correct. These comments may also include the expression of opinions that are speculative in nature and should not be relied on as statements of fact. Altrius is committed to communicating with our investment partners as candidly as possible because we believe our investors benefit from understanding our investment philosophy and approach. Our views and opinions include “forward-looking statements” which may or may not be accurate over the long term. Forward-looking statements can be identified by words like “believe,” “expect,” “anticipate,” or similar expressions. You should not place undue reliance on forward-looking statements, which are current as of the date of this report. We disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. While we believe we have a reasonable basis for our appraisals and we have confidence in our opinions, actual results may differ materially from those we anticipate.

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