



Executive Breakfast

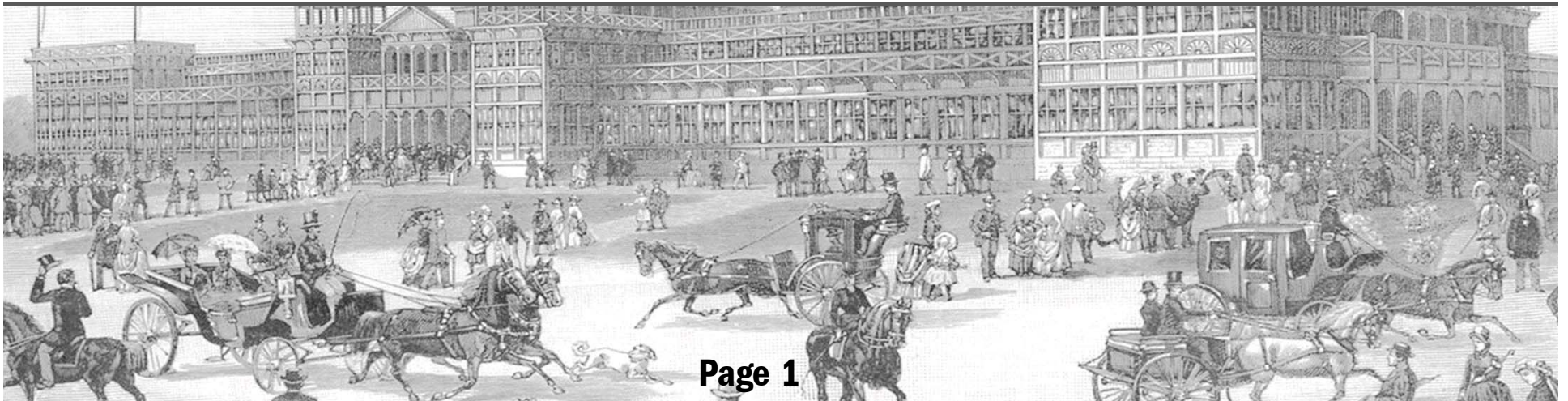
06.18.2019

Chris Guinther – Portfolio Manager

Randy Loving – Portfolio Manager

Opportunity Cost or Opportunity Lost?

Consider Everything and Ignore Nothing



COMPLIANCE DISCLOSURE

- The information provided is for illustration purposes only. It is not, and should not be regarded as “investment advice” or as a “recommendation” regarding a course of action to be taken. These analyses have been produced using data provided by third parties and/or public sources. While the information is believed to be reliable, its accuracy cannot be guaranteed.
- Any securities identified were selected for illustrative purposes only. Specific securities identified and described may or may not be held in portfolios managed by the Adviser and do not represent all of the securities purchased, sold, or recommended for advisory clients. The reader should not assume that investments in the securities identified and discussed were or will be profitable.

What direction are stocks headed?



Well, what direction are Earnings headed?



What drives Earnings?

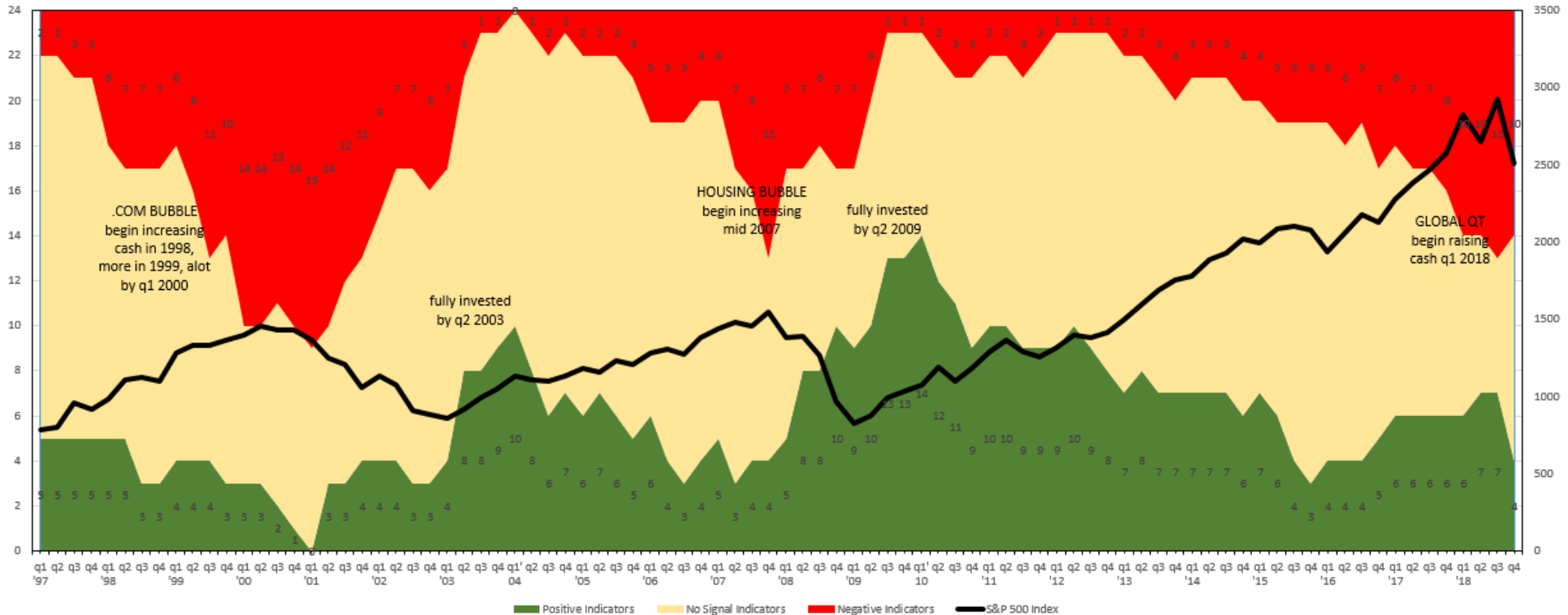
- Fed Policy, Interest Rates, Liquidity
- Consumer and CEO Confidence, Spending & Investment
- Debt



- The S&P 500 Index is highly correlated to earnings.
- Earnings have grown long term at ~6.6% per year.
- Earnings out-grow and under-grow the 6% average.
- Stocks trade between 10x and 30x earnings.

Over-Earning
Neutral

Equity Market Indicators as of 12/31/18

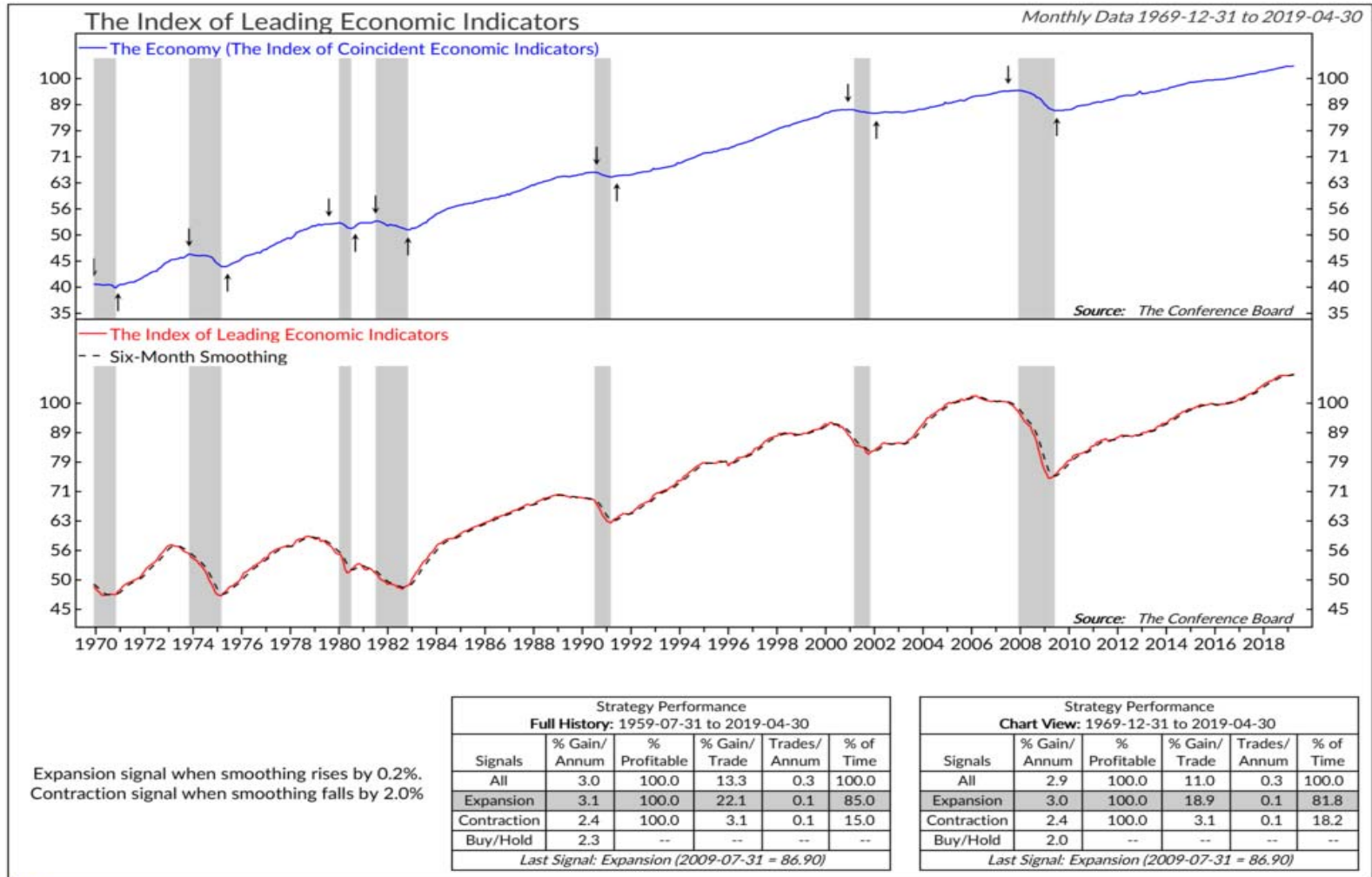


4 Positive - Forward Estimate Chg., S&P Capex/Cash Flow, Credit Conditions, Valuations(S&P 500 Earnings Yield to T-Bills)

10 Neutral – High/Lows Breadth Index, Output Gap, Capacity Utilization, Yield Curve, LEI, Breadth of State LEI, Option Adjusted Spreads, S&P Margin Debt, Valuation(P/E level), Debt Spreads

10 Negative – Equity Trends, Consumer Confidence, Domestic Equity Fund Flows/Levels, Bond Fund Flows/Levels, Street Median Expected Growth, S&P Profit Margins(level), Unemployment, Corporate Debt to Cash Flow, Valuation(EV to Cash Flow), Fed Funds Direction

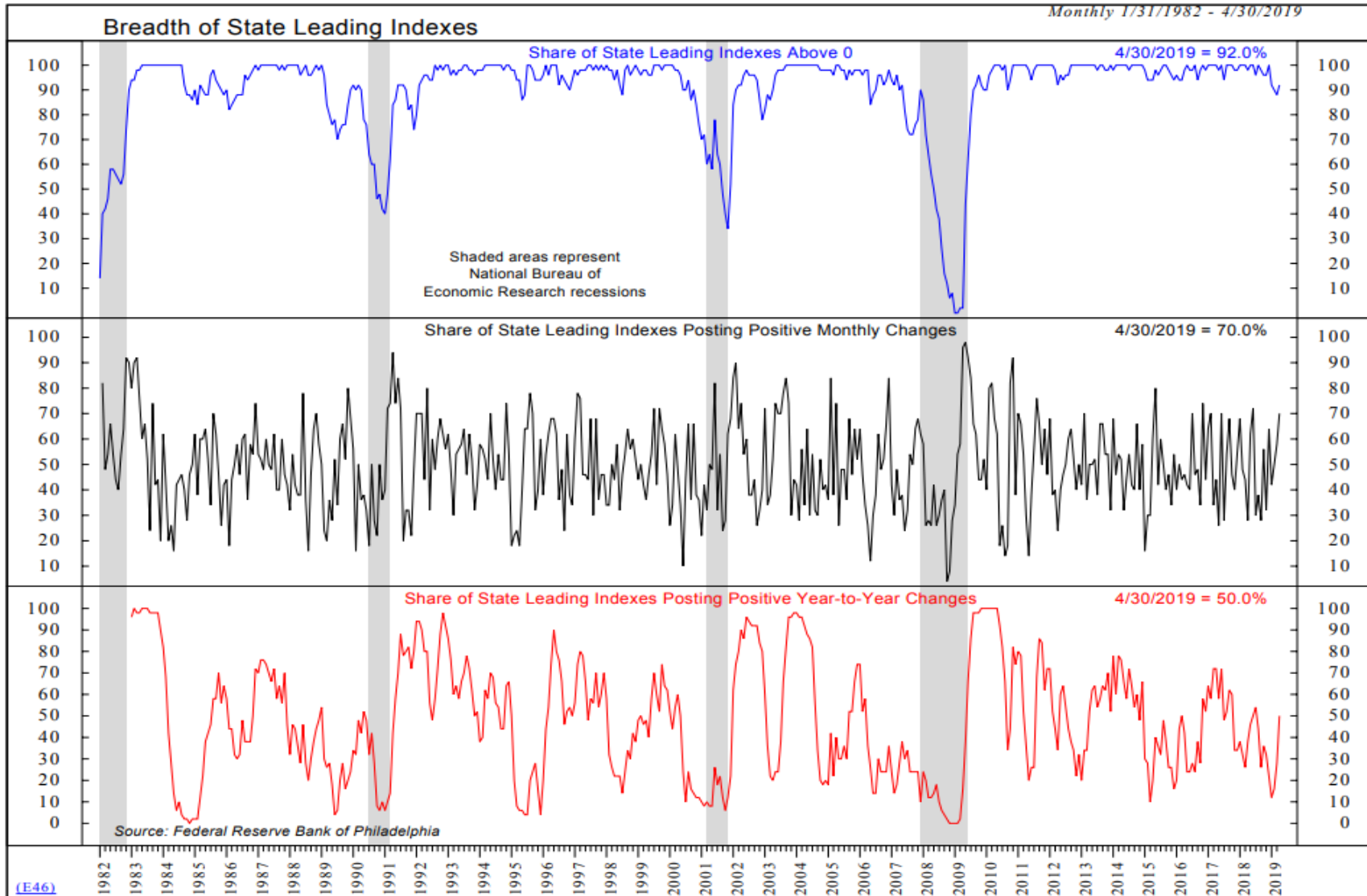
Focus on a Factor (Leading Economic Indicators)



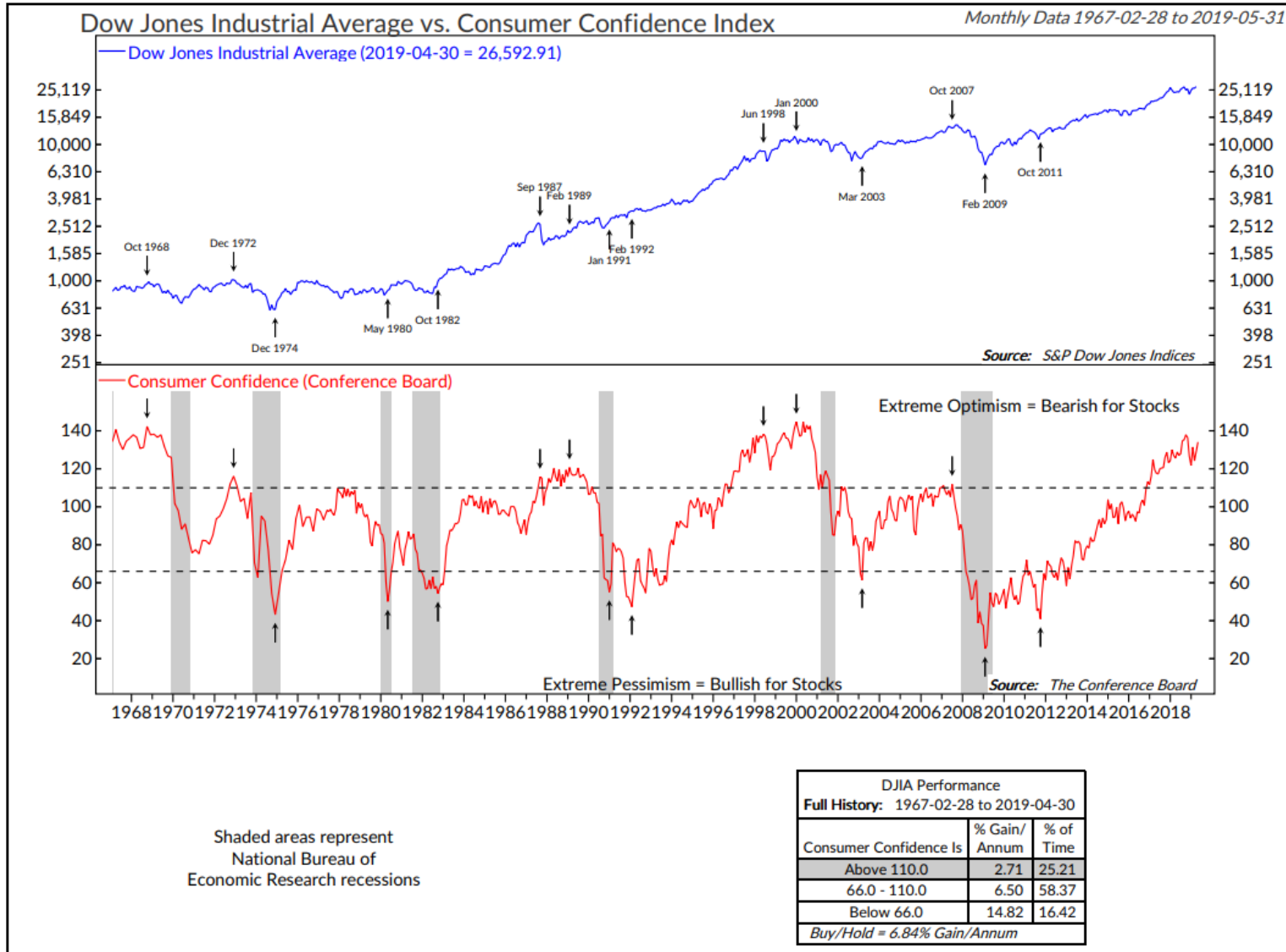
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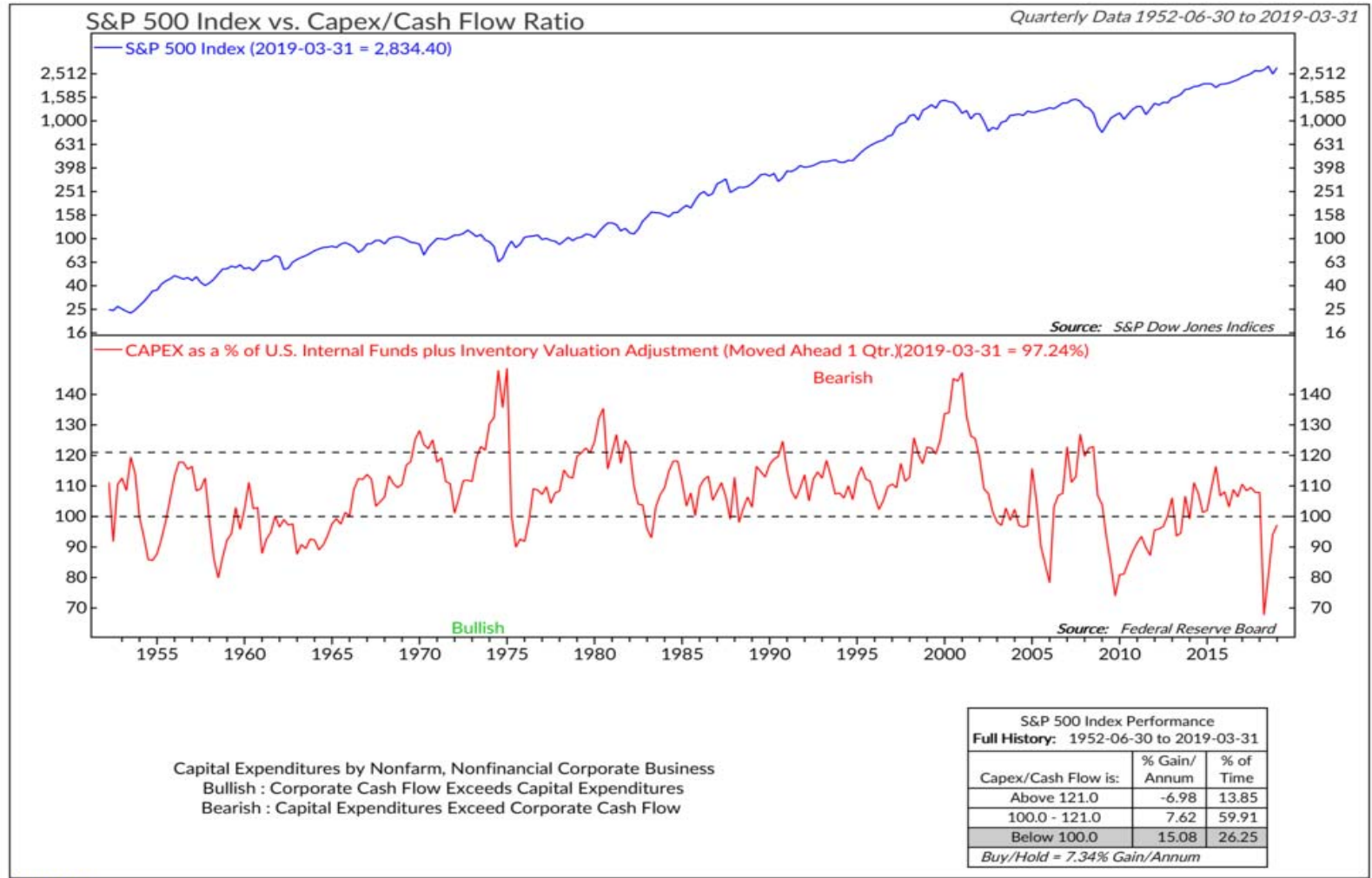
Focus on a Factor (State LEIs)



Focus on a Factor (Confidence)



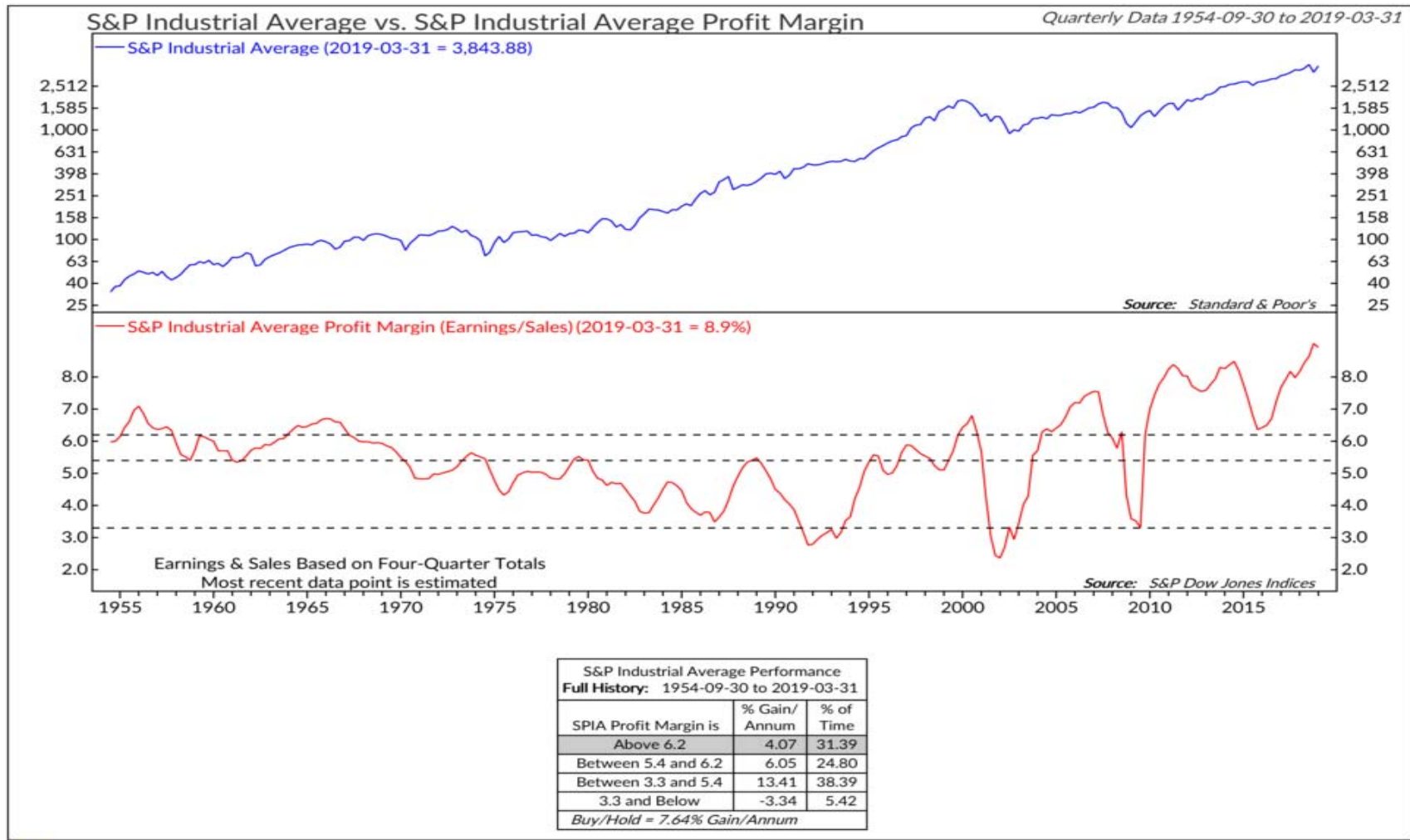
Focus on a Factor (Capex)



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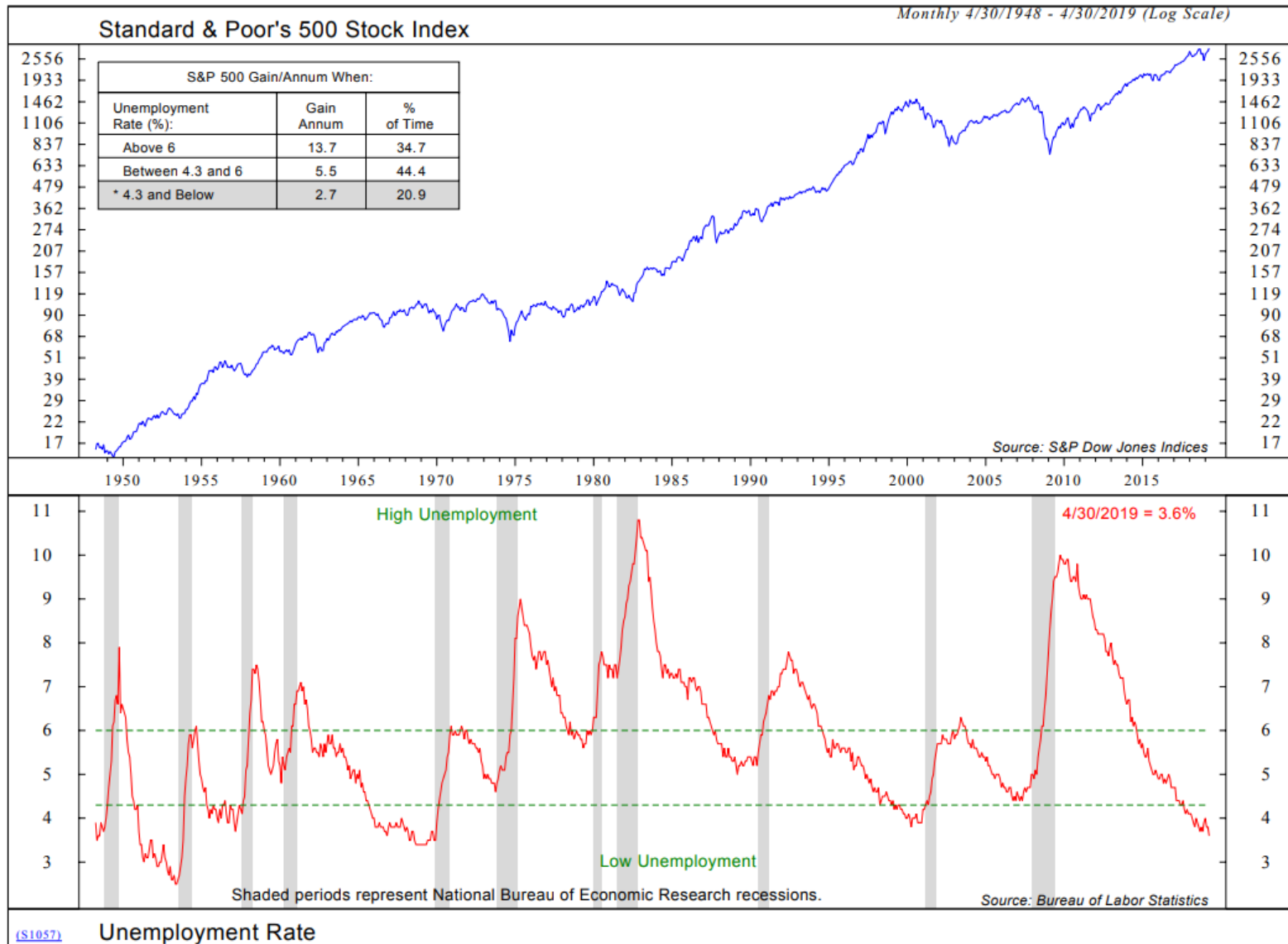
Focus on a Factor (Profit Margins)



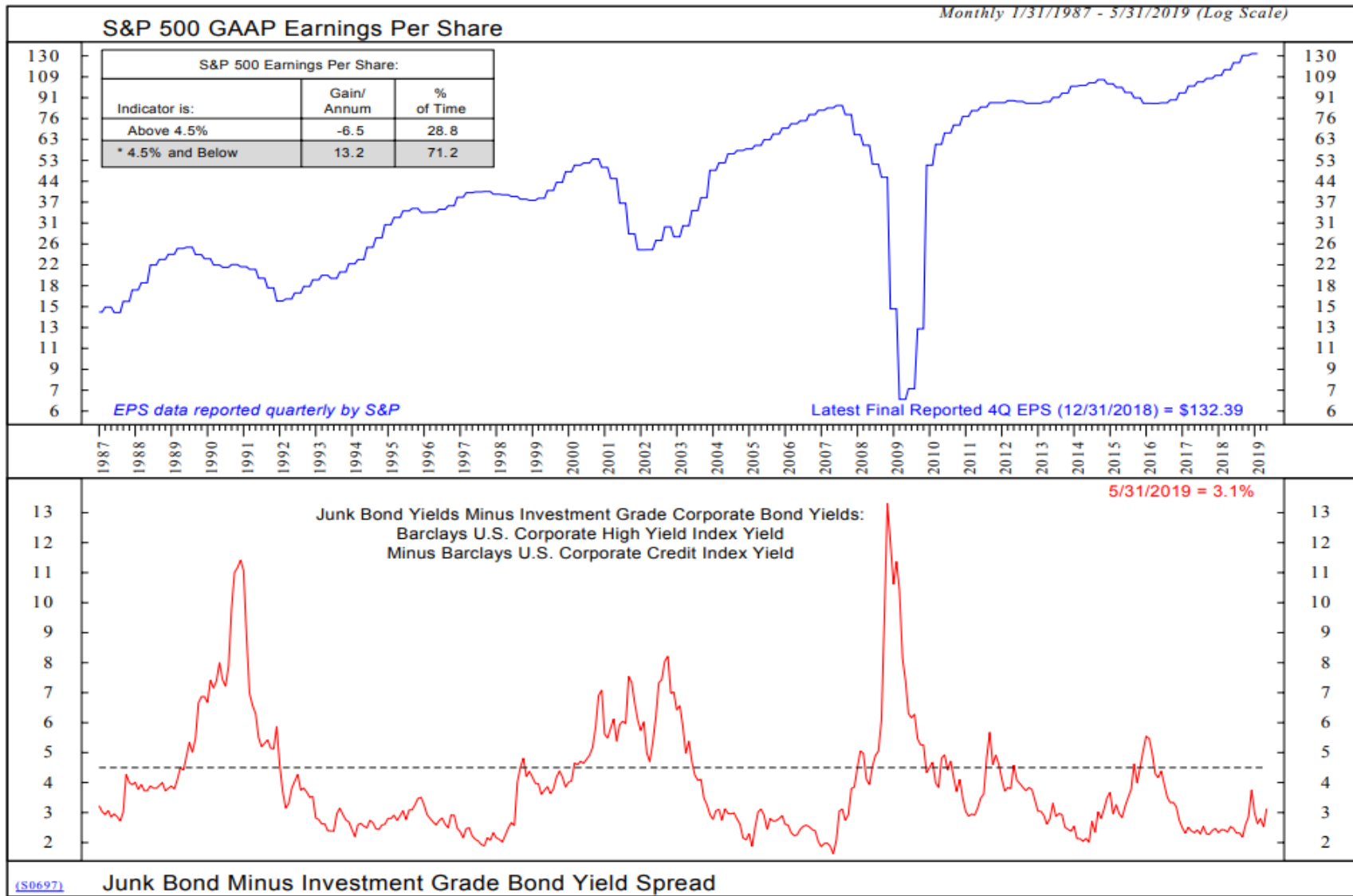
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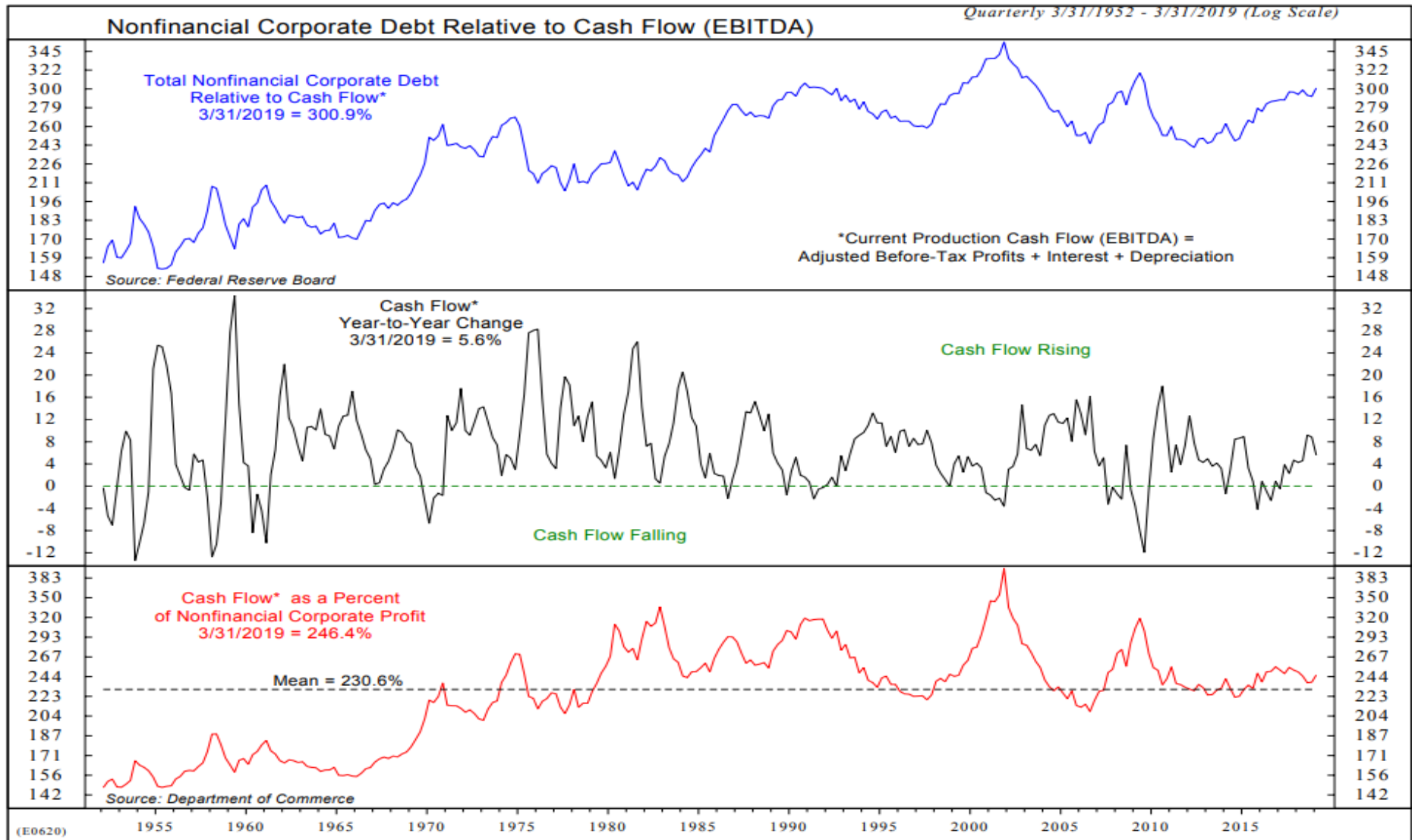
Focus on a Factor (Unemployment)



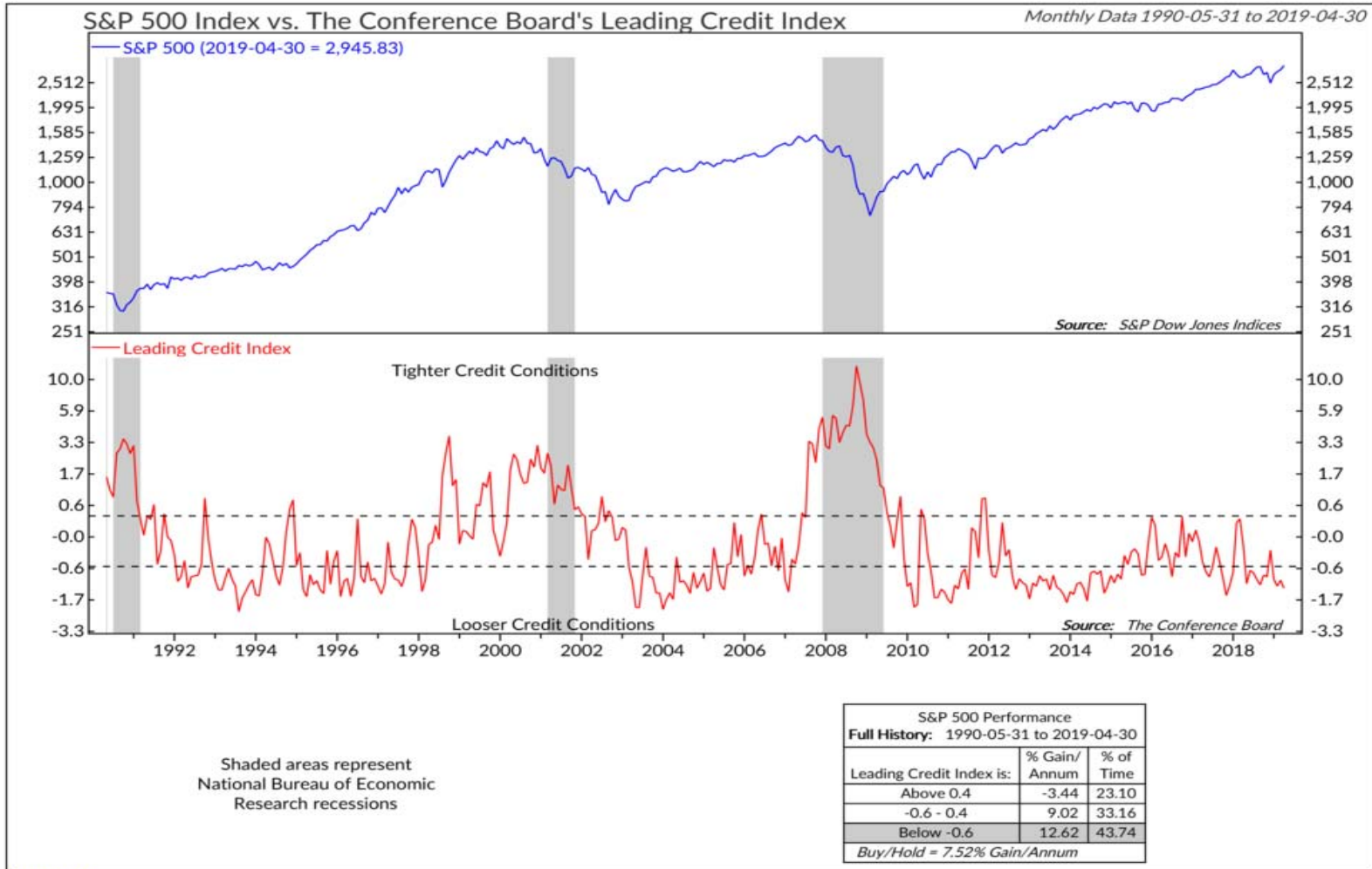
Focus on a Factor (Debt Spreads)



Focus on a Factor (Debt)



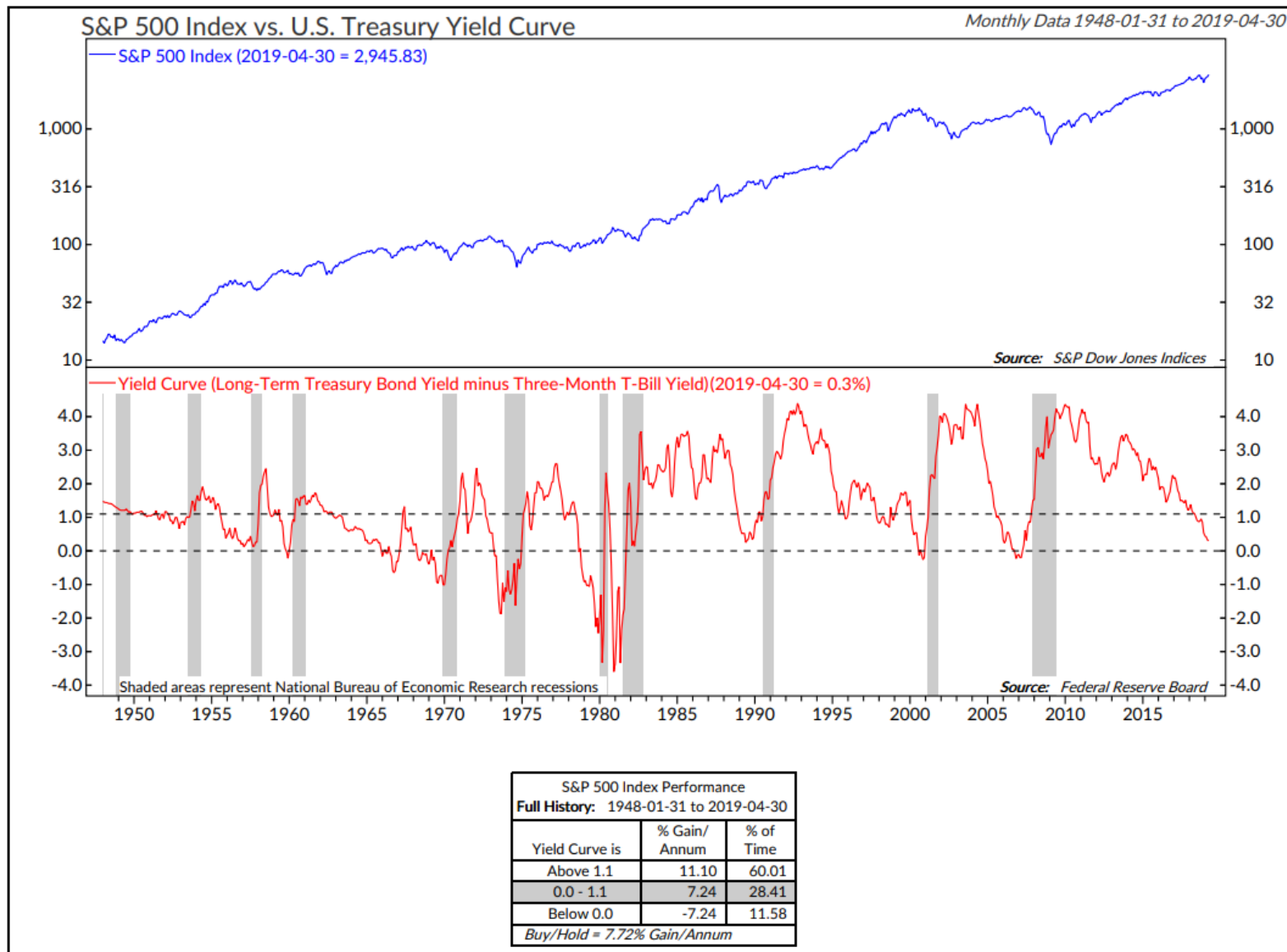
Focus on a Factor (Credit Conditions)



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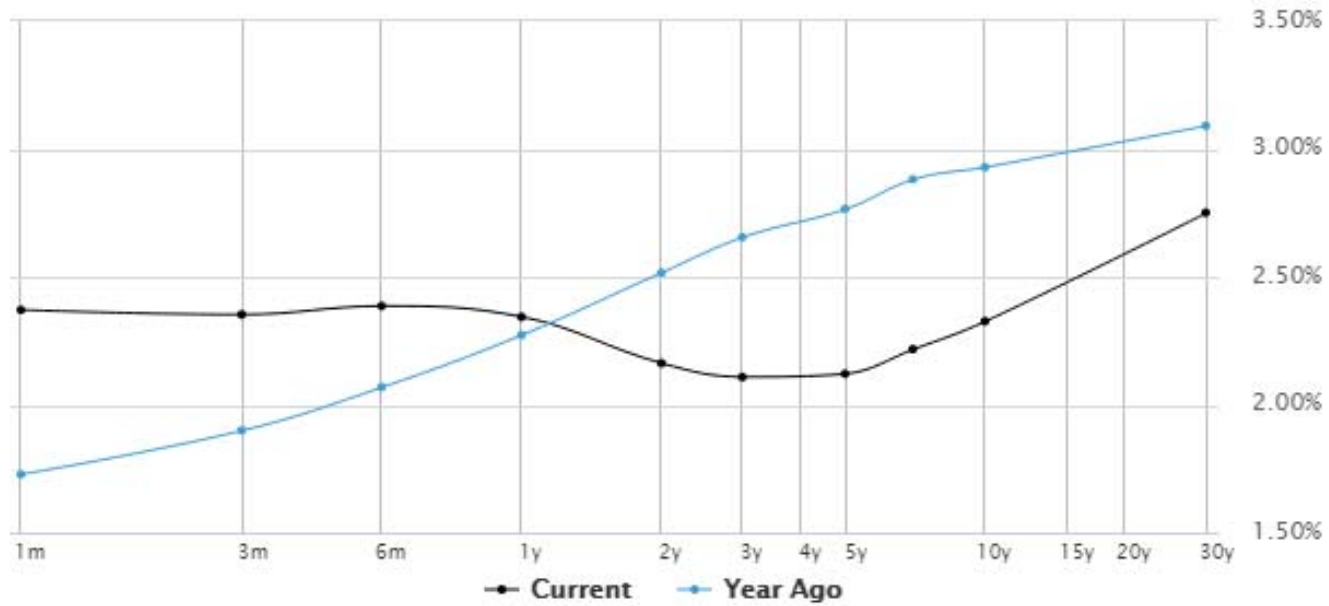
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Focus on a Factor (Yield Curve)

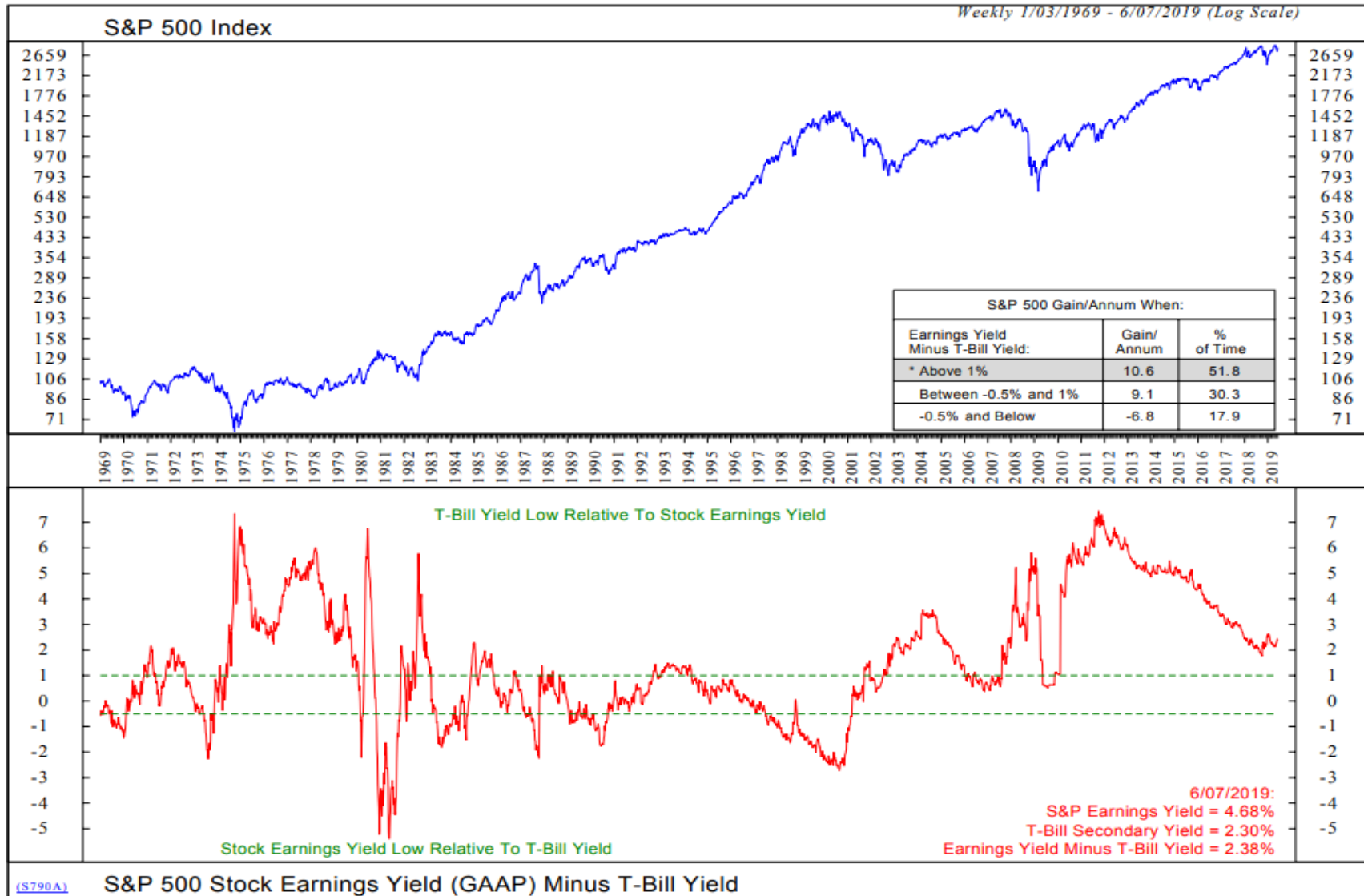


US YIELD CURVE

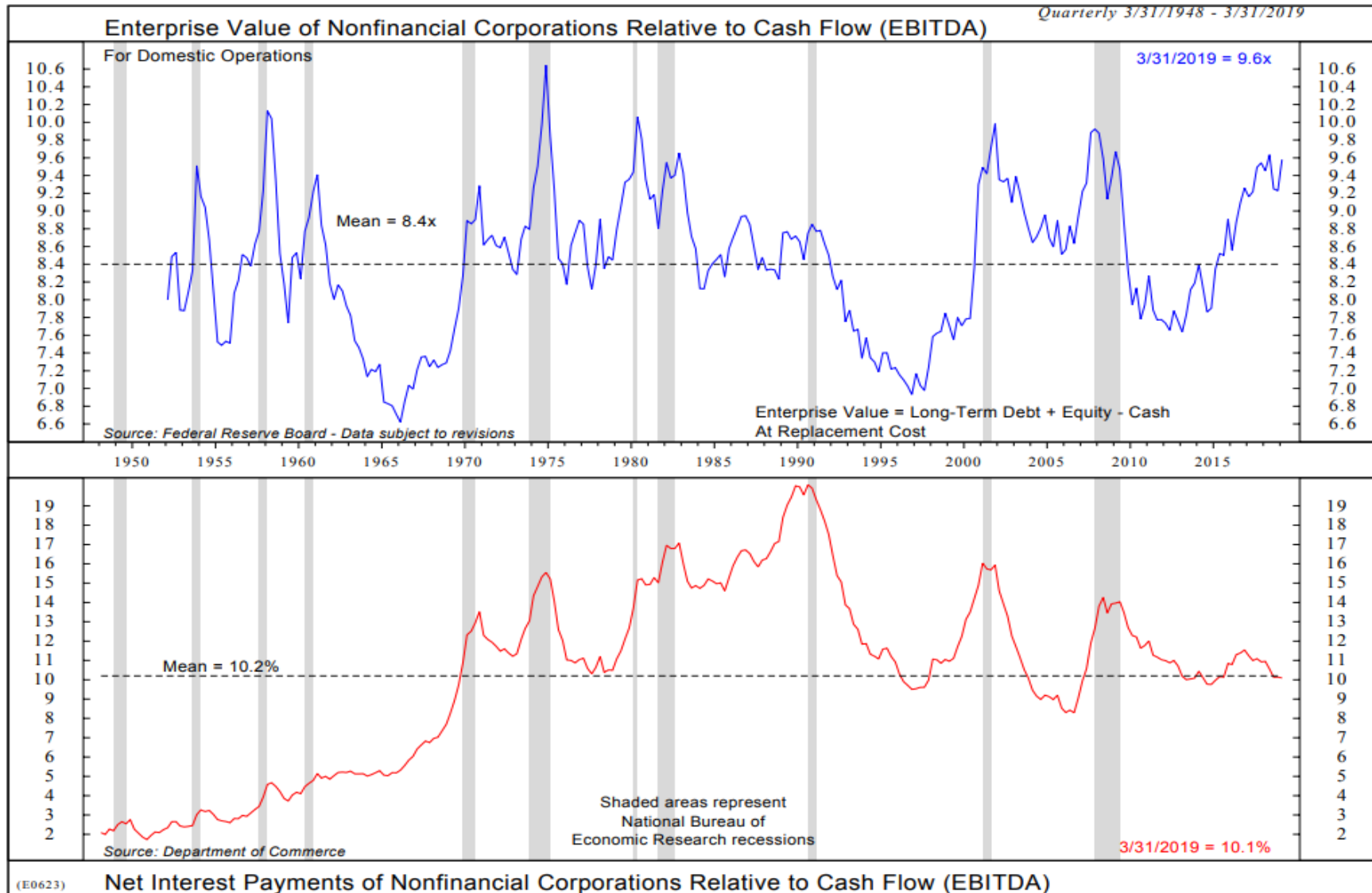
YIELD CURVE - US



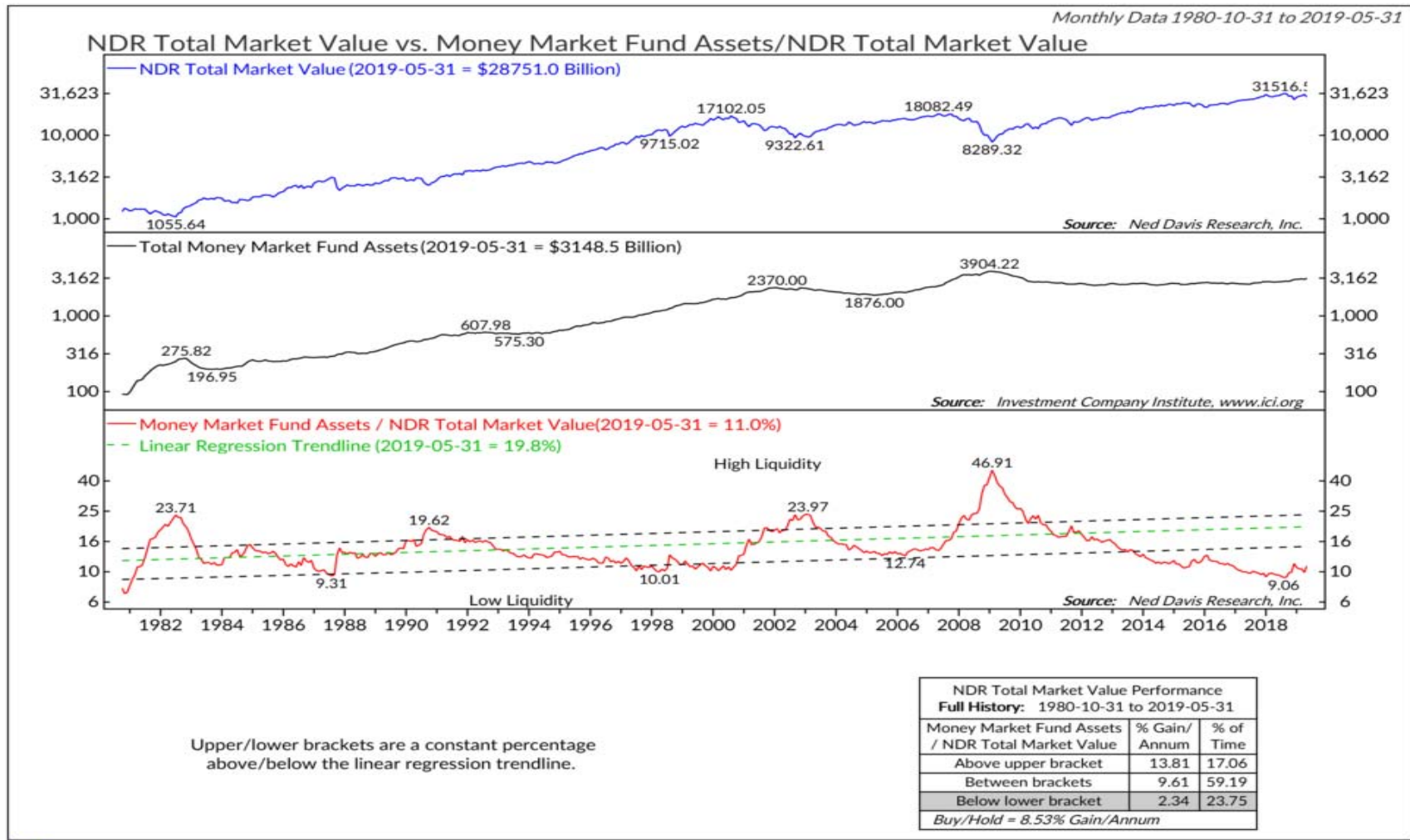
Focus on a Factor (Valuation)



Focus on a Factor (Valuation)



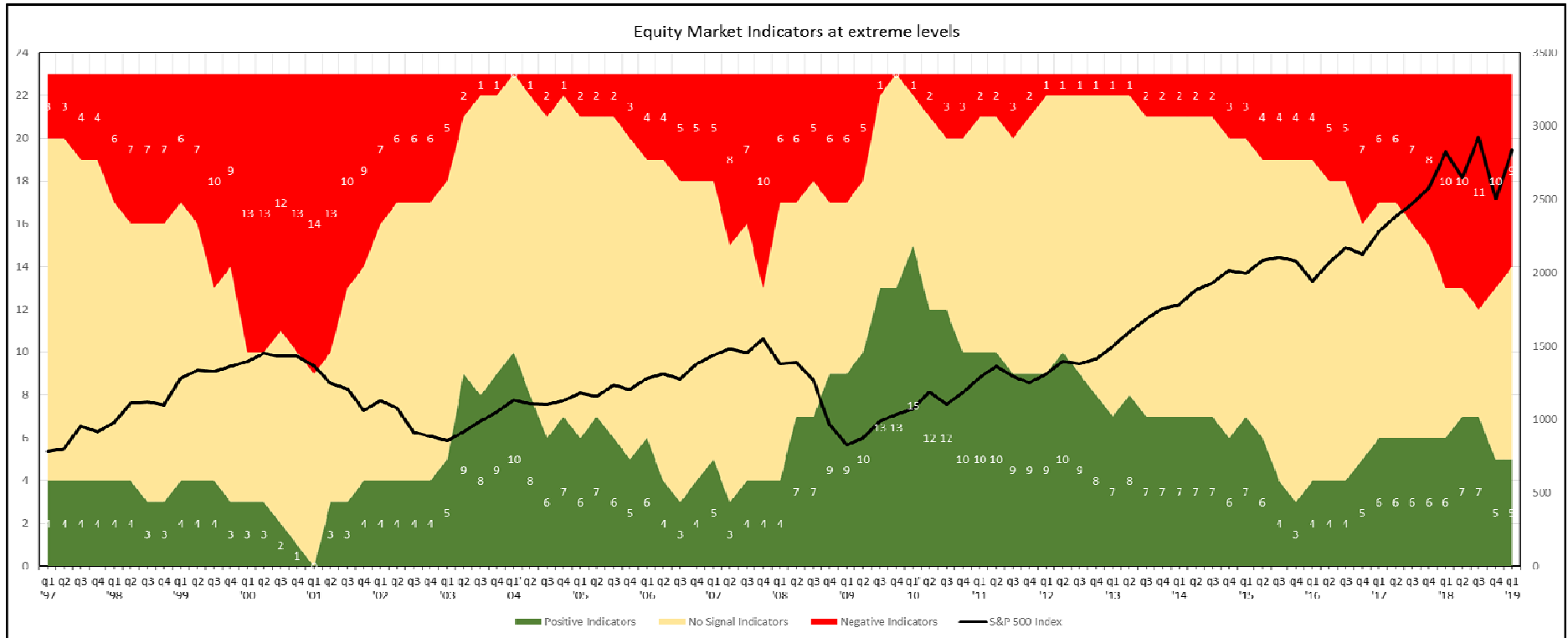
Focus on a Factor (Asset Allocation)



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MONTAG Macro – Equity vs. Cash



5 Positive – Debt Spreads, S&P Capex/Cash Flow, Credit Conditions, Valuations(S&P 500 Earnings Yield to T-Bills), LEI's

10 Neutral – Street Median Expected Growth, S&P Trend, Fed Funds Direction, High/Lows Breadth Index, Capacity Utilization, S&P Margin Debt, Valuation(P/E level), Street Analysts Forward Estimate Changes

9 Negative – Consumer Confidence, Bond/Stock/Cash allocations, S&P Profit Margins(level), Unemployment, Corporate Debt to Cash Flow, Valuation(EV to Cash Flow), Yield Curve, Breadth of State LEI's, Output Gap

The GOOD – Conditions that are ‘ok’ currently

Conditions

- Inventories
- Corporate Cash Flow
- Corporate Debt Coverage
- Consumer Spending
- Savings Rates
- Fixed Income Ownership
- Capacity Utilization
- Bubbles/Excess – no
- 2019 Earnings Expectations
- Global FEDS tightened

Conditions

- Banks willingness to lend
- Credit Delinquencies
- Labor Participation Rate
- Globalization
- Fed on Hold
- Inflation 2%
- Oil supply/prices
- Politics
- Stock Prices

The BAD – Conditions and Rate of Change/Direction indicators

Conditions

- 2019 Earnings Estimates
- Product Costs
- Wage Inflation
- Corporate Profit Margins
- Interest Rates rose
- Money Supply (M1/M2)
- PMI's / ISM's
- Tax Cut anniversary
- Housing

Conditions

- Auto Sales
- Capital Expenditures
- Consumer Leverage
- Corporate Leverage
- CEO Confidence Surveys
- China / Emerging Markets
- Euro Block
- Dollar
- Earnings
- Unemployment

More BAD – Conditions and Rate of Change/Direction

The Known Unknowns

- Tariffs/Trade Wars
- Deficits
- Election 2020
- Trump

Ground Level data

- FedEx/UPS
- Apple Iphone Sales
- MMM
- Macy's
- UTX, IBM, JBHT
- Banks
- Overall Company Guidance

Investment Options

Direct Real Estate

Real Estate, LLP

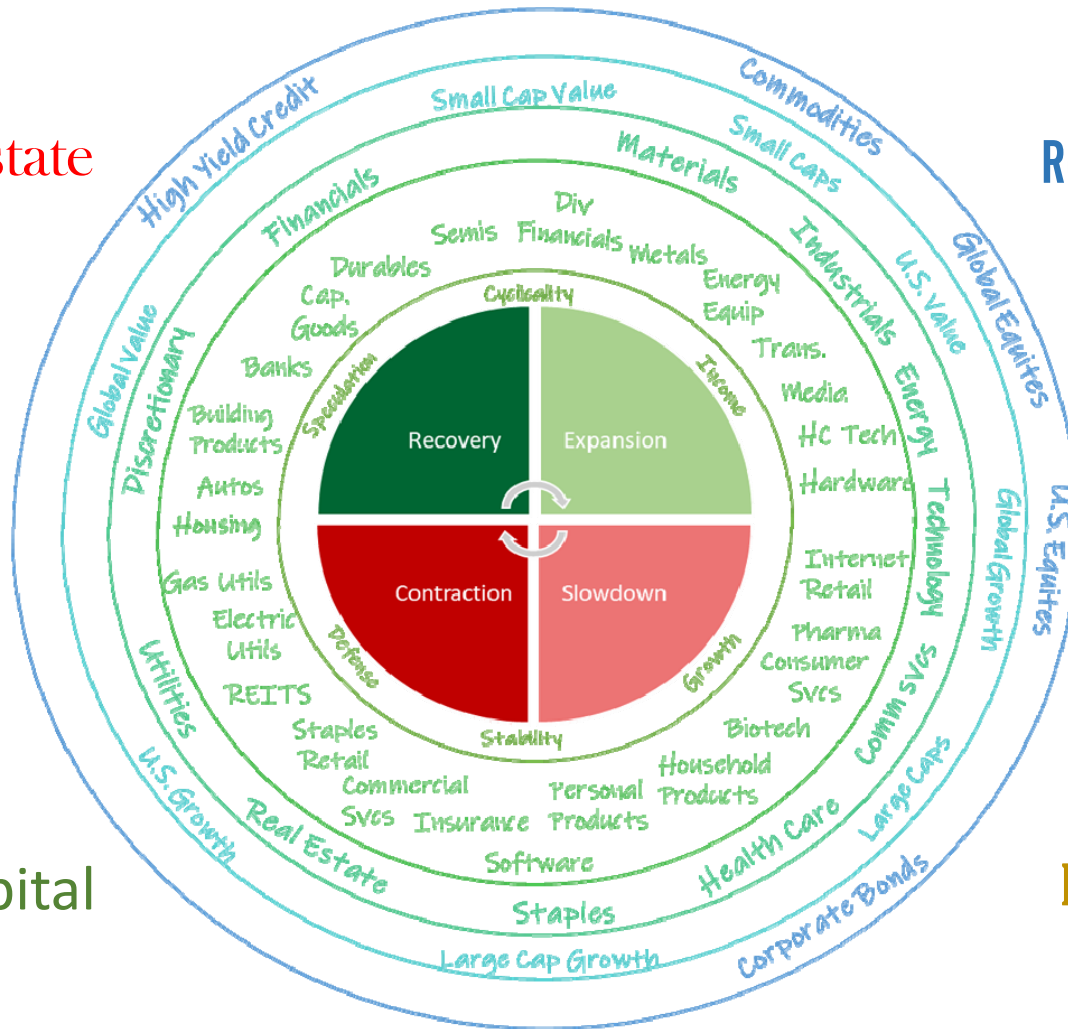
Private Equity

FRANCHISES

Emerging Markets

Venture Capital

Hedge Funds



- The Market's *'Value'* is *not great*, but not bad either
- The S&P 500 is *'over-earning'* the long-term trend of 6.6%
- *'Conditions'* for earnings growth are not great but not too bad
- The *'Rate of Change/Direction'* of earnings drivers are down

- We do the same analysis for other asset classes continually
 - International Markets
 - Commodities
 - Real Estate
 - Private Equity
 - Hedge Funds
 - Fixed Income

Questions?