



“...Life, Liberty, and the pursuit of Happiness, which may involve an occasional hot dog eating contest.”

Tom Toro/The New Yorker Collection — Used by permission

SUMMERTIME: HOT DOGS &... GLOBAL MARKETS? — Ned Montag, CEO

John and I have a sister who lives in New York City, and as the summer gets into full swing, we have talked a few times about going up to visit her in the summer because... we both love hot dogs. Let me explain.

Nathan’s Famous Hotdogs (incidentally a publicly traded stock, as John points out) has a well-known hot dog eating contest on the 4th of July, and the two of us, forever thinking of creative ways to challenge ourselves, and each other, thought this would be a great way to settle the debate. I’m not sure our wives agree!

Today, Nathan’s serves their hotdogs in several places around the world, including Mexico, Armenia, Egypt, Russia, and Kuwait, proving that ANY business can make a global name for themselves as long as demand for the services or goods exists in that market. Nathan Handwerker (THE Nathan in question) would be proud.

With a (literally) whole world of hot dog eaters to back us up, John and I raise a Coney Island dog to all of you reading this newsletter, and may you have a great summer of memorable experiences with your families, one food challenge at a time! **M**

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MARKET OBSERVATIONS — Chris Guinther, Portfolio Manager

The second quarter of 2019 continued to be volatile, but ended the quarter on a good note with stock prices hitting new highs during intraday trading, ending up for both the quarter and year-to-date. As this is all positive, it has been and will continue to be a bumpy ride into the near future. Overall for the second quarter, total returns were 3.21% for the Dow Jones Industrial Average, 4.30% for the S&P 500 Index and 3.88% for the NASDAQ. For the year-to-date the returns were 15.4%, 18.54% and 21.34% respectively.

In our profession, we are always dealing with what the public hears in the news and what our professional assessment is based on our research. We thought we would use this article to give some perspective on the many cross currents which occur in the investment world and look a little deeper under the hood.

As we reflect on Q2 2019, we recognize that these are by no means ‘normal times’. Take a look at Germany. German 10-year govern-

ment bond yields have fallen to an all-time low, actually a negative yield, as European investors scramble to buy the safe haven asset amid a worsening global economic outlook. The 10-year Bund yields touched a fresh record low of -0.219% on Monday. Make sure you see that clearly, that’s a *negative sign* in front of a bond yield. Portuguese and Spanish bonds also touched new all-time lows, while here in the U.S., Treasury yields fell to their lowest point since 2017 with the 10 year Treasury at under 2% again.

How can that be? Why would someone pay their government interest to hold their money? These are good questions and ones that can only be rationalized by the fact that investors are so scared to buy traditional ‘risk’ assets like stocks and real estate, that they are willing to pay their government to hold their money for them. I think you will agree, this is not ‘normal’. It’s also important to understand that while we’re talking about Europe in this example, it reminds

Continued on page 2

U.S. investors just how global and intertwined all major economies have become. These days, what happens in China and Europe has a lot of impact on the U.S. so portfolio managers have to pay more attention to all the major economies around the globe than they have in the past. The overall sentiment in the U.S. is positive, as the expansion cycle that began in 2009 has pushed profit margins to all-time highs for the average company. On the surface and in the news, this is great. As professionals, we are looking for inflection points which help us make our decisions. Many portfolio managers are now becoming concerned that stocks may be peaking as margin and profits don't have much perceived upside from here.

Taking it a step further, if things are so good, then why are foreign governments turning stimulative? Even the U.S. is holding interest rates steady and possibly going to lower them. Could this be predicting a problem with future growth or is it due to political pressures?

Obviously, we don't have all of the answers, but as we look forward towards the end of the year, political changes in 2020 will bring upon even more unknowns, and with that, increased volatility and likely a slowing in corporate investment spending as companies tend to slow spending when they have less certainty.

Although things are OK on the surface for now, our job at MONTAG is to use this information and take advantage of the opportunities as they present themselves. This is why having long term time horizons is so important for success but also being mindful of short-term adjustments for portfolios.

As always, we appreciate your trust and confidence. We will strive to continue to earn it every day.

We hope you have a great summer. **M**



Chris Guinther is a Portfolio Manager

These are by no means "normal times". Why would someone pay their government interest to hold their money?

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.

DRIVE, CHIP and PUTT: WHAT TYPE OF INVESTOR ARE YOU? – Larry Mendel, VP of Sales

Summer is upon us and I have already spent a lot of time on the golf course with my two sons, who are both avid golfers. Both of them played in high school and one of them even played in college, due to some *great* instructors (at least, that's what I tell myself!). During our last round together, as I was awaiting for them to hit their shots (since they also hit it much further than me), I started thinking about how the strategy of golf is similar to the strategy of investing. Allow me to explain the analogy.

You see, golf requires everyone to do three things in order to play the game: drive, chip, and putt. While the phrase "drive for show and putt for dough" is a popular one to say out on the course, a lot of people forget about the game involving the middle irons, which are used between the tee box and the green. In fact, that set of clubs perhaps most directly correlates with the probability of you sinking the putt and reaching the goal of a lower score. The analogy then becomes clear: your strategy and experience determines your potential outcome.

And while each type of stroke is important to achieving your objective, players tend to be

relatively more defined by one of the three. Freddy Couples isn't called "Boom Boom" because of his 7 iron, for example. So let's take a further look at the three strokes and compare that with different investor personality types.

The Drive: If you are wanting to impress friends and hit the ball as far as possible, this is the shot for you. The feeling of hitting it just right is so much fun and worthy of a good fist pump. Yet, while the objective is to get the hole started with the drive, the drive is considered a high risk shot. Given the presumed distance of the shot, any deviation off your intended path creates a ripple effect for all subsequent shots. In investments, you would call this volatility; the drive, like a volatile stock, has the most variance in it. And an errant drive might get into the woods, and that means you have to take a second risky shot, just to get back to the fairway, right? When you hit a drive well, the reward is awesome, when you don't, you must be prepared to handle the loss. Same thing with a risky stock! Buying a "hot" stock means you have the chance to generate a nice return...or the chance to see the stock get cut in half. Buying these stocks, exclusively, is not a great investment strategy.

In golf, as with investing, your strategy and experience determine your potential outcome

DID YOU KNOW?

What historic event took place under a buttonwood tree?

- A. The Salem “witch trials” of the 1692-3 in colonial Massachusetts
- B. The discovery in 1764 that nuts from the tree made perfect buttons for colonial clothing
- C. Signing of the “Buttonwood Agreement” in 1792, the precursor to what we now know as The New York Stock Exchange
- D. The Virginia wedding ceremony of Pocahontas to John Rolfe in 1614

(Answer on Page 4)

The Chip: A chip is a shot used to functionally move you from one place to another on the course, like chipping from a bunker or fairway onto the green. In other words, you have a stated goal of getting from one thing to the next. Investors who identify with this shot could be considered goal based investors, because over the course of their life there are major goals to achieve, like educational goals for children, achieving philanthropic endeavors, and of course having enough capital to retire on. The chip, like a goal based investor, requires analysis and being thoughtful about the environment in which you are playing, and adjusting your play for the risks and rewards, like when you achieve one goal and transition to the next one.

The Putt: As you see on TV, the broadcasters spend a lot of time focused on this part of the game, for good reason. One, this is the closure of that particular hole and your score is, as they say, “in the books.” And two, putting is an intense part of the game and requires so much analysis, including patience, speed of the green, undulations in the green and striking the ball on the intended line. Every factor matters to the putting player. As such, an investor in this mold is

someone who is looking at individual investments and the factors driving those investments, whether it be forecast earnings, revisions, cash on the balance sheet, market capitalization, etc. Warren Buffett is a good example of a person who fits this profile because “the putter” is looking for long term investments that can weather the storms (like those undulating greens we talked about) and still be relevant at the end, like when the ball arrives at the hole.

Granted, a case can be argued that you need ALL these strokes to be successful on the course, and at MONTAG, we are capable of handling portfolios that must match investment objectives of our clients. That is, the portfolio manager may take on characteristics of the drive, chip and putt, sometimes all of them, depending on the complexity and layering of a clients’ goals.

Which shot do you prefer? I’ll be happy to meet you at the clubhouse to discuss it! **M**



Larry Mendel, an avid golfer, is Vice President of Sales

AROUND THE RESEARCH TABLE



MONTAG Portfolio Managers continue to debate stocks, the economy and other recurring themes that may impact clients’ investments. Here are a few of the highlights for Q2:

- ⇒ We continue to be concerned with earnings, as the conditions for earnings *growth* are not great.
- ⇒ Election 2020 will start adding noise into the markets... volatility may increase.
- ⇒ Focusing on duration in fixed income portfolios as the intermediate- to longer-bond spread has improved.
- ⇒ As it looks as if we are in the fourth earnings slowdown since 2009, the Fed is now on pause and continues to be accommodative. **M**

PROTECTING YOUR INFORMATION—Client Service Team

In our continuing effort to keep your information safe, MONTAG is focused on utilizing best practices in staying current with upgraded technology to safeguard your assets and communications. Our custodians, Fidelity and Schwab, are always improving their systems to protect your assets. Along with those efforts, MONTAG has upgraded our encryption and archiving capabilities for e-mail communication as well. These upgrades will be seamless from the client standpoint, but as it is so important to safeguard

information, we want you, our clients, to know that this is a continuous effort on our part to stay up-to-date on your behalf. When you receive e-mails with personalized information, please be assured these communications are sent in an encrypted format such that only you will have access to reading the e-mails.

Thanks you for your trust in MONTAG. We will continue to strive to earn your trust every day. **M**

CHECK OUT MONTAG'S ACTIVE BLOG — www.montagwealth.com

MONTAG's prolific Investment Team makes regular posts to the firm's Blog, found on its website under the **RESOURCES** tab. Entries from the Second Quarter were:

DATE	AUTHOR	BLOG TITLE
April 4, 2019	Olga Lee, CFA	10 Years After the Bottom... Another "New Normal" or Regression to the Mean?
April 25, 2019	Christine Quillian, CFA	Well... That's a High-class Problem to Have. Investors' Response to a Year of Large Realized Capital Gains
May 9, 2019	Tom Frisbie, CFA	The Fourth Tsunami (Part 1)
May 23, 2019	Tom Frisbie, CFA	The Fourth Tsunami (Part 2)
June 6, 2019	Kent Shaw, CFA	On The Road Again Helpful Road Trip Tips
June 20, 2019	Brad Capinas, Of GV Lane Advisors	Uber Trading



UPCOMING EVENTS:

EXECUTIVE BREAKFAST SERIES—Tuesday, October 15 (7:30am – 9:30am)

MONTAG hosts the next in our series of breakfasts, with a timely presentation by one of our Portfolio Managers. This series is designed for those who want a deeper dive into investment themes being discussed around the MONTAG research table. We hope you'll join us.

FACTS & FINANCES FOR WOMEN —Wednesday, November 6 (9:30am – 1:00pm)

Since 1985, MONTAG has hosted a semi-annual seminar designed to be informative and actionable. We select speakers to present on timely topics from the non-profit community, estate and legal sensitivities, tax issues, healthcare, insurance, and — of course — investments. Be on the lookout for more information in the coming days, or feel free to contact us for details.

DID YOU KNOW? (from page 3)

Answer: C. The "Buttonwood Agreement" was made 1792, the precursor to what we now know as The New York Stock Exchange

The Buttonwood Agreement was made in 1792 between 24 stock-brokers and merchants on Wall Street in New York City in an effort to create a stock exchange. Made in the shade of a buttonwood tree in lower Manhattan, the agreement marked the beginnings of the investment community of Wall Street. Today's New York Stock Exchange traces its roots to this historical event. **M**



A PARTING THOUGHT

"Summer afternoon, summer afternoon; to me those have always been the two most beautiful words in the English language."

- Henry James (1843-1916)

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