# Global Leaders Portfolio

## Portfolio Manager Commentary

As of 09/30/2018

EquityCompass

## Q3 2018 Overview

Throughout 2018, we forewarned investors the likelihood the stock market was willing to expand the price it pays for growth of corporate earnings was fairly low. This assumption was further coupled with the recognition the market's volatility, compared to the calm waters of 2017, would most certainly rise. Thus far, our expectations are being met.

Despite 20% plus growth in corporate earnings in 2018, the broad U.S. markets are somewhat unimpressed. Even though corporate profits are growing, the economy is expanding, and unemployment is dropping, investors are unwilling to pay up for stocks. We began the year with the S&P 500 Index selling at 18.3x forward 12-month earnings and finished the third quarter selling for 16.9x forward earnings. Why the gloom?

We believe the uncertainty over the eventual impact of the Federal Reserve's gradual but persistent rise in interest rates, coupled with the uncertainty regarding the lingering trade disagreements have given investors pause. This is not unusual. Most often, investors buy certainty while fading uncertainty. Of course the end result is buying high and selling low.

Year-to-date through the third quarter, U.S. domestic stocks have outperformed international stocks. Even so, we are pleased with the performance of the Global Leaders Portfolio (GLP), which is currently more than 50% invested outside the U.S. For the third quarter, GLP gained 3.96% (3.87% net) compared to our benchmark the MSCI All Country World Index, which was up 4.28%. Year-to-date, GLP has posted a 5.39% (5.04% net) return compared to the benchmark, which is up 3.83%. Our long-term performance results are listed below.

## Portfolio Outlook

The International Monetary Fund (IMF) released its World Economic Outlook report on October 9. In the report, the IMF cut its forecast for global growth from 3.7% this year and next, down 0.2% from its earlier reports. It cites the lingering trade tensions between the U.S. and its major trading partners. Although the IMF sees surface evidence at the macroeconomic level that growth is slowing, the report concludes by saying the evidence at the company level is only anecdotal. We believe this is important to keep in mind when thinking about stock valuation versus headline risk.

Whether you call it trade talks, trade debates, trade skirmishes, or trade wars — pick your adjective — it adds up to skepticism for all things global. We would like to gently remind investors that headline risk, which feeds into skepticism and even into pessimism, creates higher excess returns going forward. Although there is much work to do with the trade disagreements outstanding, we have a glass is half-full mentality on global investing as witnessed in the recent trade agreements with South Korea, Mexico, and Canada.

### Objective

Focused portfolio of leading global companies positioned to benefit from the unprecedented growth in worldwide consumer demand

### Portfolio Management Team

Robert G. Hagstrom, CFA
Senior Portfolio Manager

Lauren E. Loughlin
Portfolio Analyst

### About EquityCompass

EquityCompass is a Baltimore-based SEC registered investment adviser offering a broad range of portfolio strategies and custom plans for individuals, financial intermediaries, and institutional clients in the U.S. and Europe. Formally organized in 2008, EquityCompass provides portfolio strategies with respect to total assets over $4.2 billion as of September 30, 2018.*

The EquityCompass team of professionals represents deep industry experience in security analysis, capital markets, and portfolio management. We are committed to a consistent investment process that relies on enduring principles, sound empirical reasoning, and the recognition of a dynamic investment environment with a global reach.

| | Total Returns | | | Annualized Returns | | | Calendar-Year Returns | | |
|---|---|---|---|---|---|---|---|---|---|
| | 3-Mos | 6-Mos | YTD | 1-yr | 3-yr | Incp. | 2015 | 2016 | 2017 |
| Gross % | 3.96 | 5.32 | 5.39 | 12.80 | 12.86 | 8.68 | -2.24 | 4.24 | 29.50 |
| Net % | 3.87 | 5.10 | 5.04 | 12.30 | 12.32 | 8.15 | -2.72 | 3.71 | 28.87 |
| Benchmark % | 4.28 | 4.83 | 3.83 | 9.77 | 13.40 | 6.94 | -2.36 | 7.86 | 23.97 |

Inception – July 2014; Benchmark = MSCI All Country World Index

## DISCLOSURES

Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation, or needs of individual investors. The information contained herein has been prepared from sources believed to be reliable but is not guaranteed and is not a complete summary or statement of all available data nor is it considered an offer to buy or sell any securities referred to herein. There is no assurance that any securities discussed herein will remain in any account's portfolio at the time you receive this report or that securities sold have not been repurchased. The specific securities identified and described herein do not represent all of the securities purchased, sold, or recommended to advisory clients, and the reader should not assume that investments in the securities identified and discussed were or will be profitable. A complete list of all recommendations made by the firm is available upon request. EquityCompass Strategies is a research and investment advisory unit of Choice Financial Partners, Inc., a wholly owned subsidiary and affiliated SEC registered investment adviser of Stifel Financial Corp. Portfolios based on EquityCompass Strategies are available primarily through Stifel, Nicolaus & Company, Incorporated. Affiliates of EquityCompass Strategies may, at times, release written or oral commentary, technical analysis, or trading strategies that differ from the opinions expressed within. Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation, or needs of individual investors. The Global Leaders Portfolio is available through Stifel's Opportunity Program. The Stifel Opportunity Program is a fee-based program that requires a $50,000 minimum investment. Ask a Stifel Financial Advisor for a Disclosure Brochure, which further outlines the fees, services, exclusions, and other costs associated with Stifel advisory programs. You should consider all terms and conditions before deciding whether the Stifel Opportunity Program is appropriate for you. For information about Stifel's advisory programs, including fee structures, please contact your Financial Advisor to request a copy of the Stifel ADV Part 2A or equivalent disclosure brochure.

*Total assets combines both Assets Under Management and Assets Under Advisement as of September 30, 2018. Assets Under Management represents the aggregate fair value of all discretionary and non-discretionary assets, including fee paying and non-fee paying portfolios. Assets Under Advisement represent advisory-only assets where the firm provides a model portfolio and does not have trading authority over the assets.

Any investment involves risk, including the risk of a loss of principal. Rebalancing may have tax consequences, which should be discussed with your tax advisor. The S&P 500® Index is a broad market index that tracks the performance of 500 stocks from major industries of the U.S. economy. This index is generally considered representative of the U.S. large capitalization market. MSCI All Country World Index captures large and mid cap representation across 23 Developed Markets and 21 Emerging Markets countries. The index returns are presented on a total return basis, which assume reinvestment of all cash distributions (such as dividends). With 2,434 constituents, the index covers approximately 85% of the global investable equity opportunity set. The MSCI Emerging Markets Index designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index that consists of indices in 21 emerging economies. Foreign investments are subject to risks not ordinarily associated with domestic investments, such as currency, economic and political risks, and different accounting standards. There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries. The volatility of the indices identified in this report may be materially different from the volatility of the model portfolios presented by EquityCompass Strategies. Indices are unmanaged, do not reflect fees and expenses, and it is not possible to invest directly in an index.

**Past performance does not guarantee future performance or investment results.**