

Core Investment Portfolio—Tax Advantaged

Portfolio Manager Commentary

As of 09/30/2018



3Q 2018 Overview

The Core Investment Portfolio—Tax Advantaged (MCIP) combines a diversified and balanced approach designed to provide capital appreciation and preserve long-term wealth. This comprehensive multi-strategy portfolio includes U.S. and international common stocks, high-quality fixed income with favorable tax treatment, and a risk management tactical allocation strategy used to mitigate a large and extended equity bear market.

Throughout 2018, we have forewarned investors the two principal challenges facing the stock market were the Federal Reserve's stated intention to gradually raise interest rates to a "normalized" level, and the second was the continuing debate over negotiating new trade agreements.

Both the steady rise in interest rates coupled with growing rancor over how to solve trade disputes have shifted the tailwind environment in 2017 that powered stocks higher to more of a headwind in 2018. Even so, we are pleased to report MCIP continues to perform well providing capital appreciation and steady income.

For the third quarter of 2018, MCIP posted a return of 2.68% (2.59% net) compared to its blended benchmark which gained 3.09%.

MCIP's individual stock strategies are balanced between the Select Growth & Income (SQLT) strategy and the Global Leaders Portfolio (GLP). SQLT seeks to identify mispriced lower multiple value stocks whereas GLP focuses on faster growing multinational stocks positioned to benefit from the rise in middle class consumer in overseas markets.

The risk management equity allocation strategy, which is divided between both domestic and international stocks remained fully invested during the third quarter and added to the total return of the Core Investment Portfolio—Tax Advantaged.

Portfolio Outlook

We remain constructive on the outlook for the financial markets ahead. Having said this, we are cognizant of the investment challenges of a decelerating economic backdrop and the push back higher interest rates can have on both risk assets as well as fixed income securities.

Nonetheless, it is important for investors to understand the differences between "magnitude" and "direction." Yes, we believe the year-over-year growth of Gross Domestic Product (GDP) both here in the U.S. as well as global markets will be less in 2019 than 2018. And yes, corporate earnings growth for common stocks will be lower next year than this year, in our opinion. But so long as both economic growth and earnings growth remain in a positive trend line, we will remain positive on the outlook for investing.

	Total Returns			
	3-Mos	6-Mos	YTD	Inception
Gross %	2.68	4.47	2.86	2.86
Net %	2.59	4.29	2.59	2.59
Benchmark %	3.09	4.54	3.95	3.95

Inception – January 2018; Net of fee calculated net of 35bps manager fee only; Benchmark = 25% S&P 500 TR / 25% Barclays U.S. Intermediate Municipal Bond Index / 25% MSCI All Country World Index / 25% HFRI Equity Hedge Index

Objective

A multi-strategy wealth accumulation approach designed to provide long-term capital appreciation while helping to mitigate bear market drawdowns

Portfolio Management Team



Robert G. Hagstrom, CFA
Senior Portfolio Manager



Tim McCann
Senior Portfolio Manager

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.

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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. The Barclays Capital U.S. Municipal Bond Index measures the performance of the U.S. municipal bond market. It is composed of approximately 1,100 bonds; 60% of which are revenue bonds and 40% of which are state government obligations. 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 HFRI Equity Hedge (Total) Index (HFRIEHI) is a fund-weighted index of strategies that maintain positions both long and short in primarily equity and equity derivative securities. Indices are unmanaged, do not reflect fees and expenses, and it is not possible to invest directly in an index.

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

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