
WORLDWIDE BALANCED STRATEGY

**STRATEGY
ASSET
MANAGERS**

STRATEGY

August 2019 gave teeth to the expression “the dog days of summer” as the market quite literally drew a sawtooth pattern, opening the month on a downward streak before whipsawing and ending on a strong upward climb. Maybe it was because the financial world tends to holiday in August and thus the less liquid markets experience wilder swings. We have been here before though. 1989, 1998, 2007, 2011 and 2015 were all subject to a volatile August.

Frankly, in times like this Warren Buffet says it best: “That lesson has not customarily been taught in business schools, where volatility is almost universally used as a proxy for risk. Though this pedagogic assumption makes sense for easy teaching, it is dead wrong: Volatility is far from synonymous with risk.”

The Worldwide Balanced Strategy has had a strong year, appreciating 13.7% year-to-date through September 30 on a preliminary basis. For the third quarter the strategy was down a preliminary 0.1%. The Global Balanced Benchmark rose 14.1% during the year and 1.3% in the quarter.

Whatever the case, a slowing European economy, negative rates amidst developed nations, geopolitical strains, and the US-China trade and currency wars have undoubtedly sent markets spinning. Nevertheless, the S&P managed to eke out a slight 1.7% gain for the quarter.

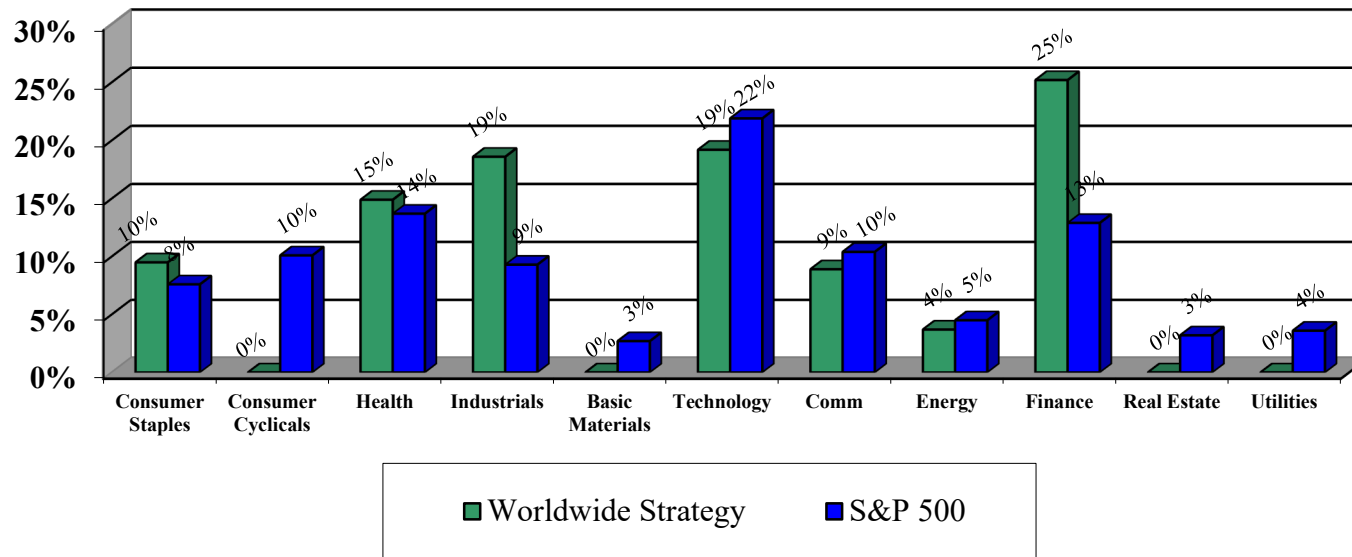
We reiterate our position that with an accommodative Fed the US remains the one notable beacon in a relative sea of uncertainty. Without a doubt, the Fed’s quarter point federal funds rate reduction, the second such cut since July, contributed to another good quarter for government bonds with U.S. Treasuries returning over 2% in the third quarter.

Our opinion is that with Japan and Europe mired in negative rates and China teetering from the trade war, our status as the one major economy with positive rates will provide support to the market. Despite talk of economic headwinds, we believe that our companies are well poised to have a good year fundamentally. Valuations in our names are reasonable and those facing structural and regulatory/legal headwinds like Corning and Altria have been culled in favor of a market stalwart like Berkshire Hathaway.

Past performance is no guarantee of future returns. The Worldwide Strategy reflects the views of the Investment Advisor only through the date of this report, and should not be considered investment advice. The Investment Advisor’s views are subject to change at any time without notice based on market and other conditions. Portfolio characteristics and holdings are subject to change, and shown for illustrative purposes only. Please refer to the disclosure at the end of this report. September 30, 2019.

The sector chart shows the sector weightings as of September 30, 2019.

Sector Analysis 09/30/2019



We had some very strong relative performance from some of our companies in the quarter.

Top 5 Performance Contributors

Alphabet	12.8%
Chubb	10.1%
Lockheed Martin	7.9%
Microchip	7.6%
JP Morgan Chase	6.0%

Bottom 5 Performance Detractors

Pfizer	-16.3%
Corning	-15.2%
Altria	-12.3%
Cisco Systems	-9.2%
Royal Dutch Shell	-8.0%

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OUTLOOK

The third quarter was led by defensive sectors in the market as slower global economic growth resulted in concerns that a recession might be in the offing for next year. Our market outlook is still mostly positive. With the unemployment rate at record low levels, the consumer continues to show signs of strength. However, we are cognizant of the significant gains that have been realized by the market averages thus far in 2019 and thus our expectations for the balance of 2019 are somewhat muted. Our outlook on the equity markets has been guided by 3 main pillars: accommodative central bank monetary policy, low inflation and interest rates, and strong corporate earnings. The ongoing trade dispute with China is creating some earnings headwinds that may become an impediment to further gains in equities over the near term. A somewhat scarcer earnings environment going forward may result in an added premium being awarded to those companies that can show earnings improvement in a more difficult economic climate. We also believe that it is critical for clients to hold a diversified portfolio as political and economic conditions can change quite rapidly.

Both the ISM manufacturing survey numbers as well as the ISM services survey published recently were substantially weaker than the Street expected. At the same time, the secular forces that have been driving growth in the economy over the course of this expansion should not be underestimated. These seemingly conflicting data points are resulting in a more uncertain environment. We expect that the political noise coming out of Washington D.C and the approaching of the election next year will result in some increased market volatility. We suspect that the businesses will not be as volatile and thus this could create very compelling buying opportunities for our companies in the coming months ahead.

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The Global Equity Index composition is 80% S&P 500 index and 20% MSCI EAFE index. The Global Balanced Index composition is 48% S&P 500 index, 12% MSCI EAFE index and 40% Bloomberg Barclays Intermediate Government/Credit index. The S&P 500 index is a market cap-weighted index that consists of 500 domestic stocks chosen based on market size, liquidity and industry group representation. The MSCI (Morgan Stanley Capital International) EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US and Canada. The Barclays Intermediate Government/Credit index includes publicly issued, fixed rate government and corporate debt rated investment grade and having at least one year to maturity and a maximum maturity of 10 years. Indices are unmanaged, assume reinvestment of income, do not represent the performance of an actual account and may have volatility, credit, or other material characteristics that differ from the investment strategy (i.e. number of securities). All indices referenced in this material are provided for informational purposes only and are registered trade names or trademark/service marks of third parties. Investors cannot invest directly in an index. The returns of indices do not include any transaction costs, management fees or other costs. September 30, 2019.