Dear Clients and Friends,

What a difference a quarter makes! The first quarter of 2019 was one of the strongest starts to a year in decades. The rally in most risk assets undid virtually all the damage that was experienced during last year's final three months. Just as Federal Reserve Chairman Powell's hawkish speech on October 3rd was blamed for the selloff, his abrupt pivot to a relatively dovish stance beginning on January 4th has been seen as the primary factor behind the market's recovery. The S&P 500 had a total return of 13.6% in the quarter. Virtually all other risk assets saw similar performances. Emerging markets (as measured by the MSCI Emerging Market exchanged traded fund) were up 9.9% and the S&P Goldman Sachs Commodity Index was up 15.0% on the back of a sharp bounce back in energy markets. Safe haven assets underperformed but were positive as the U.S. bond market (as measured by the Bloomberg Barclays US Aggregate Bond Index) returned 2.9% and the gold price rallied 1.3% in the quarter.

Market Outlook

After being cautious during the second half of last year and then becoming more constructive as we moved into 2019, we remain positive on the outlook for risk asset prices for this year. We continue to believe that the economy and markets are in the late innings of the current expansion, but that they still have a couple of innings to go. We expect that reasonable valuations coupled with continued global economic growth and a more constructive monetary backdrop will prove to be supportive of further gains.

1.) Valuations have moved up with the recovery in stock prices, but we view the current forward P/E multiple of 16.7 as still reasonable. This equates to an earnings yield of 6.00% which is still quite attractive relative to the current U.S. investment-grade corporate bond yield of 3.68%, 2.50% on the U.S. 10-year Treasury note, and the approximate 40% of outstanding global sovereign debt that is yielding negative interest rates.

2.) The monetary backdrop has improved significantly over the last six months. The Federal Reserve has gone from seeing the likelihood of multiple additional interest rate hikes and a balance sheet reduction that was on "autopilot" to believing that the risks are balanced and moving to end the balance sheet runoff in September of this year. The Federal Funds futures market now places greater odds of a cut in interest rates than a hike over the next year. The rate on the U.S. 10-year Treasury note has declined to 2.50% from 3.25% six months ago. Current mortgage rates of 3.00-4.00% for 15- and 30-year loans could result in a renewed wave of refinancings. The European Central Bank has also backed off its plan to begin shrinking its balance sheet this year in light of renewed economic weakness on that continent.

3.) We do not expect to see a U.S. or global recession in the next year. Growth in the U.S. has clearly slowed in recent months, but employment and wage growth remain strong and the recent decline in interest rates should support sectors such as housing. The index of leading indicators has plateaued in recent months, but prior recessions have been preceded by several quarters of declines (**Chart 1**). Similarly, there has been much recent focus on the inversion of certain segments of the yield curve as an indication of a looming recession. Although past inversions have been a pretty reliable indicator, the signal is not infallible and have almost always lead the onset of a recession by a number of quarters or even years (**Chart 2**). The global growth outlook is mixed but not negative. Europe is clearly slowing again, but recent indicators in China suggest that attempts to stimulate an acceleration in growth there are having the desired effect which should offset the global impact of the European slowdown.

Chart 1: Commerce Board's Index of Leading Economic Indicators with Recessions

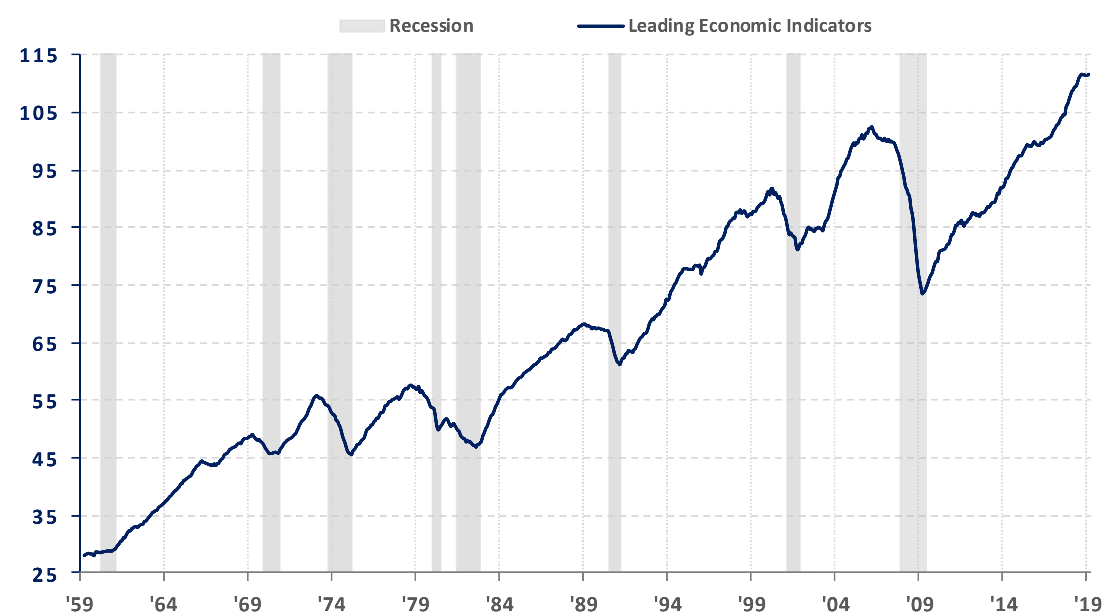
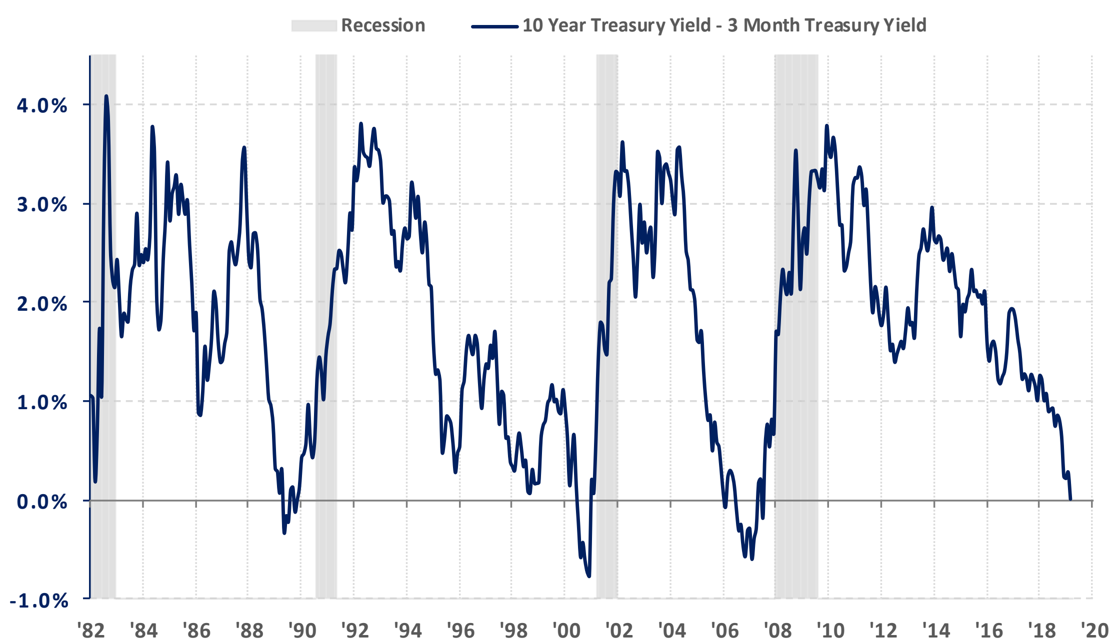
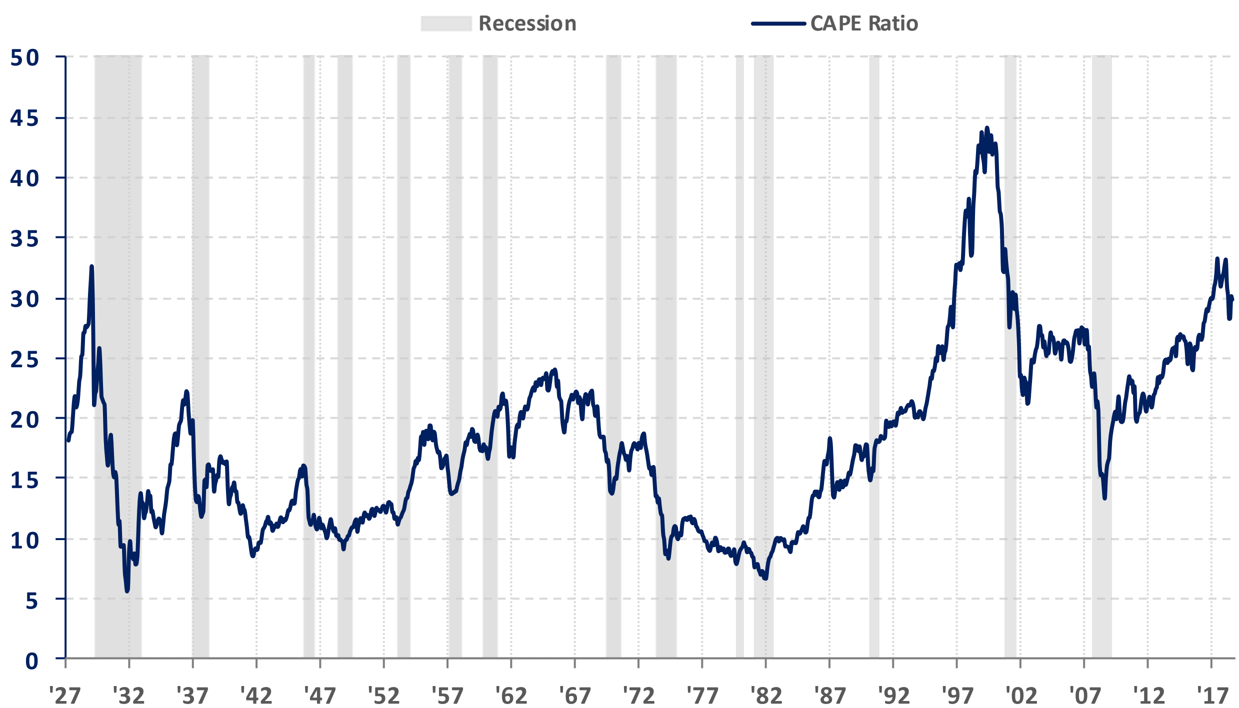


Chart 2: 10-Year Treasury Constant Maturity Minus 3-Month Treasury Constant Maturity



These arguments are not to say that there are not risks to the outlook. The U.S. stock market is still at historically rich levels on some longer-term measures, albeit not as rich as it was a few months ago. **Chart 3** shows the updated CAPE (Cyclically Adjusted Price to Earnings Ratio) relative to the last 90 years of history. This measure attempts to account for inflation and compares current prices to a multi-year measure of earnings. Corporate debt levels and profit margins are at very high levels and would seem to have very limited room for further expansion. Finally, the outlook for domestic politics leaves more than a little room for concern.

Chart 3: Long-term Historical Cyclically Adjusted PE Ratio with Recessions



Portfolio Themes

Following a very active fourth quarter, the last three months have seen limited changes in our views and portfolios. The two primary modifications have been adding exposure to non-U.S. equities and continuing to term out our fixed income exposure.

U.S. stocks have significantly outperformed the rest of the world over the last ten years. However, we believe that a lot of that has been due to the 40% rally in the dollar capped by exuberance last year over the fiscal stimulus (**Chart 4**). The relative valuation difference between equities in the U.S. and in the rest of the world declined during the sell-off in the fourth quarter of 2018, but it remains higher than the prevailing levels in 17 of the last 20 years (**Chart 5**). We expect that a less restrictive Federal Reserve and the fading of fiscal stimulus as we move through 2019 may allow the rest of the world to close its performance gap with the U.S.

Chart 4: US Stock Market to World Stock Market Excluding US vs. US Dollar Index

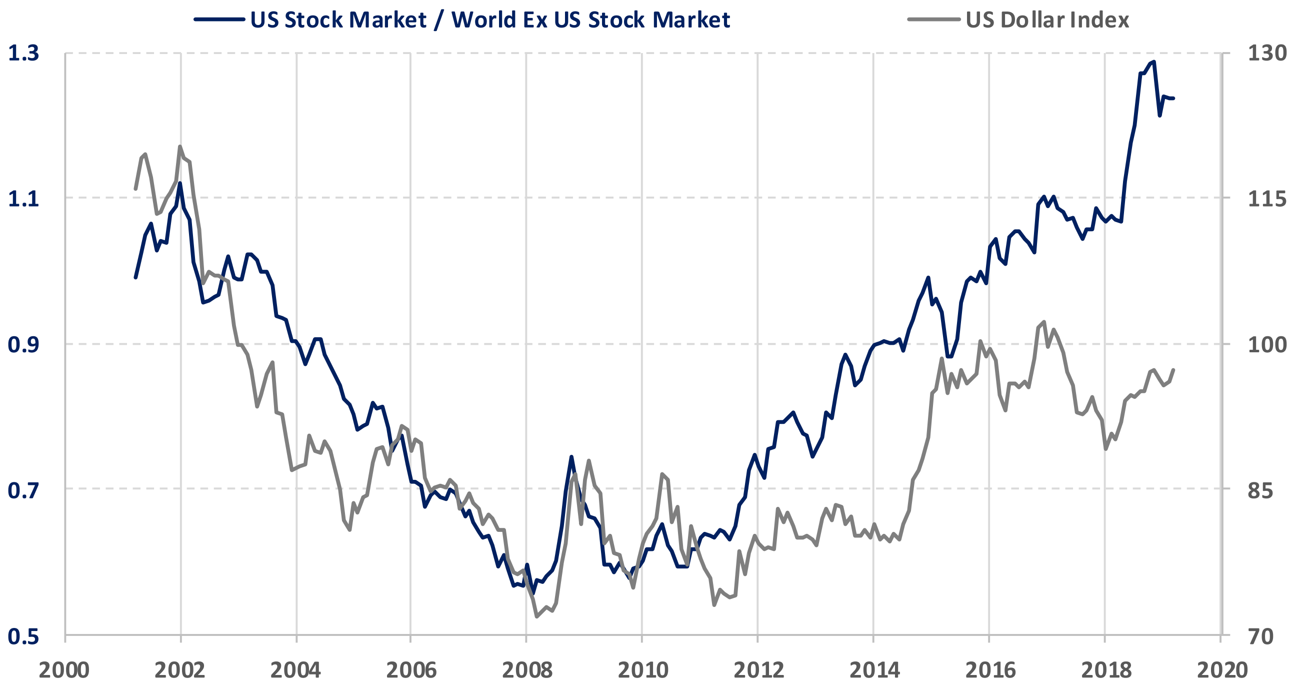
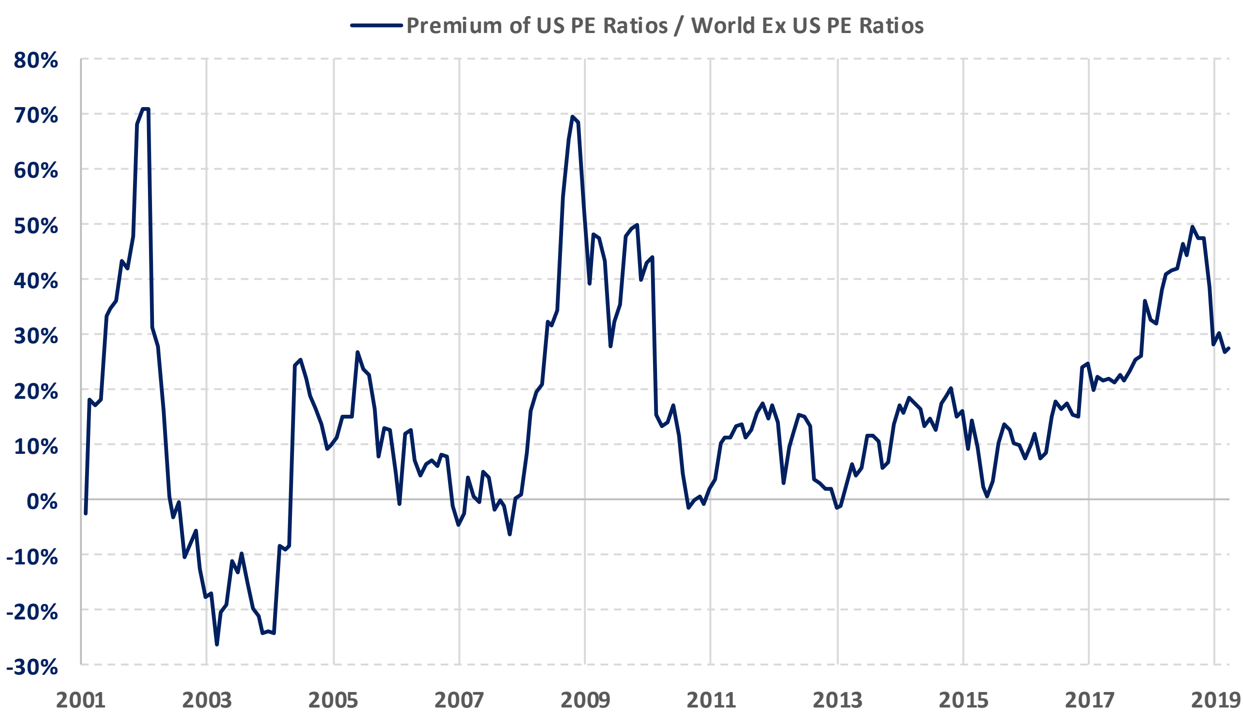


Chart 5: Premium of US Price-to-Earnings over World Price-to-Earnings Excluding US



We continue to view the interest rate outlook as benign due to slowing growth in the U.S., limited inflation pressure, and negative interest rates in many other parts of the world. We do remain concerned about corporate debt quality and refinancing challenges, though. The aggregate level of corporate debt outstanding is at a record high, but more concerning is the quantity of low-level investment grade debt and the amount that needs to be refinanced over the next few years. As the economy slows, some of that debt will likely slip to junk levels and some companies may be forced to refinance their debt at significantly higher interest rates. Reflecting these two fixed income themes, we continue to keep most of our portfolio exposures focused on Treasuries and high-quality corporates but have moved much of our duration exposures within those segments to the 5- and 10-year parts of the yield curve.

Potentially Attractive Loan Refinancing Opportunity

The precipitous decline in interest rates over the last few months has once again created an opportunity for loan refinancings. We have a close relationship with Pershing's parent company, Bank NY/Mellon and would be happy to introduce you to their loan specialists if you would like to explore whether there is an opportunity to lower the interest rate on any personal or commercial borrowings. Their recent 30-year fixed mortgage rates have been as low as 3.75% and 15-year fixed rates have been as low as 3.25%. BNY/Mellon also has some interesting alternative lending products that often times allow full deductibility of the interest expense. The after-tax cost can be quite attractive relative to traditional mortgage financing with its recently reduced deductible loan limits of $375,000 for single filers and $750,000 for joint filers.

Company Developments

We continue to reinvest in Brave Asset to ensure it is very well positioned to serve our clients over the coming decades. We have completed two significant technology upgrades. We have migrated our data and much of our software off of a server-based system and into the cloud. We have also moved from our legacy reporting software system, PortfolioCenter, to a new system called Tamarac which allows us to have fully integrated reporting and billing systems with the option of adding integrated Client Relationship Management and trading/rebalancing functions. We will be rolling out the client portal for this system in the coming months which will allow our clients to access all of your account information and documents in a single place. The other significant technological upgrade that we have planned over the balance of the year is to implement an electronic signature program that will greatly streamline the process of opening new accounts and getting signatures on documents such as wire requests.

Lisa, who has been helping us on the administrative side over the last six months, has decided to go back to school full-time. She has been a great presence in the office during her time with us and we will miss her, but we wish her well as she follows her career dream! We will be hiring a replacement for Lisa in the coming months.

The biggest new development for 2019 will be the addition of a new junior advisor later this month. Once that person is onboard we will be sending out an announcement so please keep an eye on your inbox for that email during the second half of the month!

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Administrative Items

As a reminder we offer a financial planning service and online document/information storage system. We can work with you to build a financial plan with the help of a program called MoneyGuidePro. We have found this to be a very effective tool in helping clients get a better understanding of where they are on their path to financial security.

Everplans is a very user-friendly and intuitive secure online system for storing personal information and financial data and documents. You can store information on subjects such as your home and pets, emergency contacts, and funeral preferences. You can also upload documents including insurance policies and estate plans. Once you have established a plan you can "deputize" specific people to have access to selected areas of it. For example, you could give access to certain areas to the executor of your estate and give access to other areas to your children. Please click on this link here to watch a video about Everplans.

At this time of year, SEC Rule 204-3(b) mandates the delivery of our information brochure, which can be viewed on our website.

As always, we welcome your comments and questions. Please don't hesitate to call, visit or email at any time.

Scott, Brett, & Dave

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