

ATHENA MANAGED EQUITY

SMA COMMENTARY | QUARTER 4, 2018



KEY TAKEAWAYS

- ◆ With a backdrop of a volatile market, the portfolio dropped 12.8%, matching its MSCI ACWI benchmark.
- ◆ Of the three components making up the portfolio, both Pure Valuation and Global Tactical outperformed their benchmarks while Dividend Income underperformed.
- ◆ Both US Large Cap Market and International Barometers held steady during Q4. US Small Cap readings remained weak.
- ◆ For the full year, the portfolio beat its benchmark with a return of -6.9% vs -9.4% for the MSCI ACWI.

Positive Impacts	Negative Impacts
<p>Of the 22 stocks held in the portfolio, 13 of them beat their respective benchmarks, with a total of five stocks increasing in value during the quarter.</p> <p>The Global Tactical positioning in EAFE outperformed the portfolio's benchmark return.</p>	<p>The portfolio's performance was in-line with the overall market's sell-off during the quarter.</p> <p>Nine of the 22 stocks in the portfolio declined by more than the benchmark.</p>

LONG-TERM PERSPECTIVE

The stock market stumbled in Q4, turning a 10.6% YTD gain on the S&P 500 at the beginning of the quarter into a 4.4% loss by year-end.

The Q4 markets were roiled by the Fed's clumsy December announcement of Fed Funds target increase, which led to an accelerating sell-off. Concerns of slower growth and talk of possible trade wars further unsettled the markets during the quarter. The S&P 500 median forward P/E ratio returned to the normal range, wringing-out at least some of the more speculative valuations in the market. These events improve the outlook for stocks in general and for value stocks in particular.

The market rebounded going into year-end from the sharp drop in late December, but volatility is likely to continue into Q1 2019 due to the speed and magnitude of the Q4 decline. The economy continues to grow with a robust labor market, rising wages, and rising earnings and dividends, buoyed by low inflation and low interest rates. We believe the conditions supporting a long-term secular expansion remain intact.

The combination of value stock selection with a tactical overlay has enabled Managed Equity to keep up with the broad market, while remaining well positioned with attractive valuations. The portfolio has generated positive returns in six out of the past eight years and has outperformed its benchmark since inception.

PERFORMANCE^A

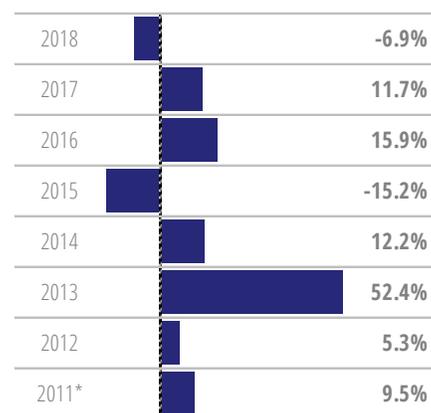
Annualized Since Inception (10/1/2011)



△ All performance figures are based on composite portfolio performance on a pre-tax basis with reinvestment of dividends and is net of all trading, custodial, and management fees.

† Portfolio benchmark is the MSCI ACWI NR Index.

Calendar Year Performance



* 2011 return is Oct 1 – Dec 31 and is not annualized.

% ANNUALIZED TRAILING PERFORMANCE AS OF 12/31/2018

	Q4 2018	YTD	1 YEAR	3 YEARS	5 YEARS	10 YEARS	INCEPT
Managed Equity (Net)	-12.8	-6.9	-6.9	6.4	2.8	N/A	10.1
MSCI ACWI Index	-12.8	-9.4	-9.4	6.6	4.3	N/A	9.1

Investment returns presented assume reinvestment of dividends and capital gains and are net of actual management fees. Current performance may be higher or lower than what is shown. Benchmark performance is shown for comparison purposes only and it is not possible to invest directly in an index. Holdings shown and discussed in this analysis should not be deemed as a recommendation to buy or sell securities and the current portfolio holdings may be different than what is presented. There are risks involved in investing in any Athena Portfolio, including loss of principal.

For complete portfolio performance, disclosures and risks, refer to athenainvest.com.

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The opinions expressed in this commentary are as of December 31, 2018.

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PAST PERFORMANCE IS NO GUARANTEE OF FUTURE PERFORMANCE.