

# ATHENA MANAGED EQUITY

SMA COMMENTARY | QUARTER 1, 2019



## KEY TAKEAWAYS

- ◆ With a backdrop of surging markets, the portfolio generated a 10.3% return, underperforming its MSCI ACWI benchmark by 1.9%.
- ◆ All three components making up the portfolio slightly underperformed their benchmarks, an unusual event.
- ◆ US Large Cap Market and International Barometers held steady in the normal range during Q1, while US Small Cap readings increased into the normal range.

Positive Impacts	Negative Impacts
<p>Of the 27 stocks held in the portfolio during Q1, 23 generated a positive return, with a total of seven stocks increasing in value more than 20%.</p> <p>The Global Tactical positioning switched from EAFE to the S&amp;P 500 in mid-March.</p>	<p>The portfolio and each of its three components underperformed their respective benchmarks.</p> <p>Four of the 27 stocks in the portfolio declined in value during the quarter.</p>

## LONG-TERM PERSPECTIVE

The stock market roared back in Q1, with the S&P 500 up a strong 13.6% and the Russell 2000 up an even stronger 14.6%. Q1 was one of the best first quarters in decades.

The Q4 market swoon combined with the Q1 sharp reversal presented a deep V market formation. These tend to occur when the market drops sharply for little or no fundamental reason and thus bounces back quickly. The late year 2018 drop came within a hair's breadth of turning into a Bear Market but stopped short of the widely recognized 20% requirement. Currently the S&P 500 is again flirting with its all-time high of 2929 set last September and valuations have become a bit elevated.

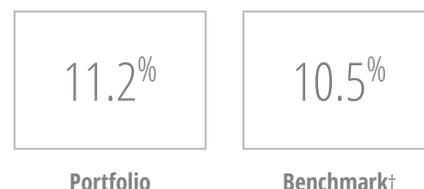
The Q4 markets were roiled by the Fed's clumsy December announcement of Fed Funds target increases, which led to an accelerating sell-off. The Fed backed off interest rate increases any time soon which provided a boost for market returns. The economy continues to grow with a robust labor market and rising wages buoyed by low inflation and low interest rates. We believe the conditions supporting a long-term secular expansion remain intact.

The quarter witnessed a return to the long-running preference for growth stocks over value stocks. The quarter also witnessed a return to the long-running preference for low dividend yield stocks over high yield stocks. This has been one of the longest periods in which low yield stocks have outperformed high yield stocks.

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<sup>A</sup>

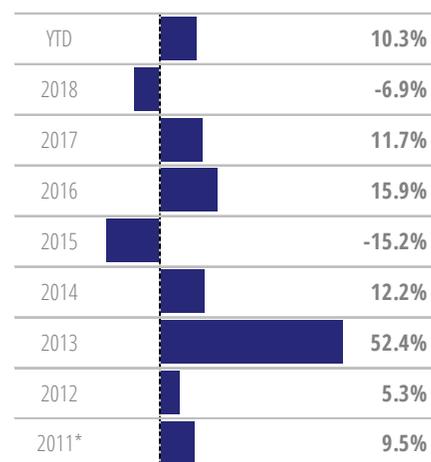
### Annualized Since Inception (10/1/2011)



△ 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 3/31/2019

	Q1 2019	YTD	1 YEAR	3 YEARS	5 YEARS	10 YEARS	INCEPT
<b>Managed Equity (Net)</b>	<b>10.3</b>	<b>10.3</b>	<b>5.8</b>	<b>7.4</b>	<b>4.6</b>	<b>N/A</b>	<b>11.2</b>
<b>MSCI ACWI Index</b>	<b>12.2</b>	<b>12.2</b>	<b>2.6</b>	<b>10.7</b>	<b>6.5</b>	<b>N/A</b>	<b>10.5</b>

*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](http://athenainvest.com).

## IMPORTANT DISCLOSURES

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The opinions expressed in this commentary are as of March 31, 2019.

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PAST PERFORMANCE IS NO GUARANTEE OF FUTURE PERFORMANCE.