

# ATHENA PURE VALUATION | PROFITABILITY

SMA COMMENTARY | QUARTER 1, 2019



## KEY TAKEAWAYS

- ◆ With a backdrop of a surging market, the portfolio increased by 11.3%, underperforming the Russell 2000 benchmark by 3.3%.
- ◆ Quarterly performance was driven by a range of sectors as the market recovered from the sharp Q4 drop.
- ◆ There were two trades during the quarter, with Seagate Technologies replacing Brinker International in January and Chemours replacing FirstEnergy in March.

Positive Impacts	Negative Impacts
Ten of the 12 securities held in the portfolio during the quarter beat the benchmark. Of these, Tech stocks Brinker and Seagate as well as utility stock AES generated double digit outperformance.	Two stocks in the portfolio HP and Nordstrom underperformed the Russell 2000 by 5%.

## 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 Russell 1000 Value index outperformed the Russell 1000 Growth index by 5% during the quarter.

The long-term performance profile remains attractive with 14 out of 17 years positive and periodic outsized returns of greater than 20% in 8 of those years.

## PERFORMANCE<sup>A</sup>

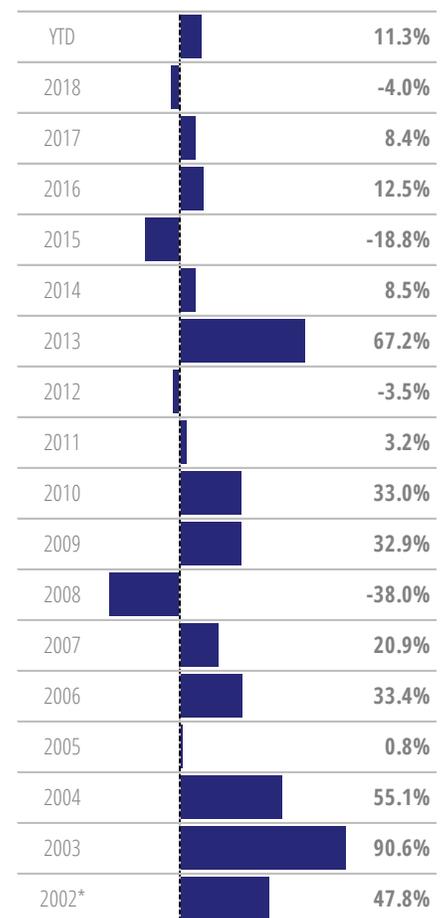
### Annualized Since Inception (7/1/2002)



△ 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 Russell 2000 TR Index.

### Calendar Year Performance



\* 2002 return is Jul 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>Pure Valuation   Profitability (Net)</b>	<b>11.3</b>	<b>11.3</b>	<b>8.6</b>	<b>6.8</b>	<b>2.6</b>	<b>17.9</b>	<b>17.6</b>
<b>Russell 2000 Index</b>	<b>14.6</b>	<b>14.6</b>	<b>4.1</b>	<b>13.7</b>	<b>7.5</b>	<b>15.6</b>	<b>9.0</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

The information provided here is for general informational purposes only and should not be considered an offer or solicitation for the sale or purchase of any specific securities, investments, or investment strategies. It should not be assumed that recommendations of AthenaInvest made herein or in the future will be profitable or will equal the past performance records of any AthenaInvest investment strategy or product. There can be no assurance that future recommendations will achieve comparable results. The author's opinions may change, without notice, in reaction to shifting economic, market, business, and other conditions. These views may not be relied upon as investment advice or as an indication of trading intent on behalf of AthenaInvest.

It should not be assumed that recommendations of AthenaInvest made herein or in the future will be profitable or will equal the past performance records of any AthenaInvest investment strategy or product. There can be no assurance that future recommendations will achieve comparable results.

You are solely responsible for determining whether any investment, investment strategy, security or related transaction is appropriate for you based on your personal investment objectives financial circumstances. You should consult with a qualified financial adviser, legal or tax professional regarding your specific situation. Investments involve risk and are not guaranteed.

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

PURE-QC-201903

---

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE PERFORMANCE.