

ATHENA PURE VALUATION | PROFITABILITY

SMA COMMENTARY | QUARTER 2, 2019



KEY TAKEAWAYS

- ◆ With a backdrop of normal markets, the portfolio decreased by 3.4%, underperforming the Russell 2000 benchmark by 5.5%.
- ◆ The quarter witnessed the continued long-running preference for growth stocks over value stocks.
- ◆ Quarterly performance was driven by a poor performance in the Basic Materials and Consumer Cyclical sectors.
- ◆ There were no trades during the quarter.

Positive Impacts	Negative Impacts
Four of the ten securities held in the portfolio during the quarter beat the benchmark. Of these, Consumer Cyclical stock Ford Motor generated double digit outperformance.	Two stocks in the portfolio, Chremours and Nordstrom, underperformed the Russell 2000 by more than 30%.

LONG-TERM PERSPECTIVE

Stock markets were fairly normal during Q2. After a May pull back, markets recovered quickly and are now hovering around all-time highs, with the S&P 500 up 4.3% for the quarter. Key takeaways include:

- Both the economy and the market hit new milestones with the 10+ year economic expansion becoming the longest in history and the associated bull market surpassing 10 years in length as well.
- The economy continues to grow with a robust labor market and rising wages buoyed by low inflation and low interest rates. The latter is almost unheard of, as it is rare for inflation and interest rates to remain low after a long expansion.
- The market has experienced high returns with relatively low volatility, driven by a growing economy since the 2016 election. Valuations are a bit elevated, but not extreme.
- Technical indicators are positive and have strengthened since late last year.
- Our Behavioral Market Barometers are in the normal ranges for US Large Cap, Small Cap and International markets.

All the good news was drowned out with geopolitical and monetary policy noise and was generally met with anxiety by individual and professional investors alike. Everyone is wondering how and when things will get derailed, possibly making this one of the least loved bull markets of all time. Looking past the emotional angst, the fundamental conditions supporting a continued long-term secular expansion remain in place.

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^A

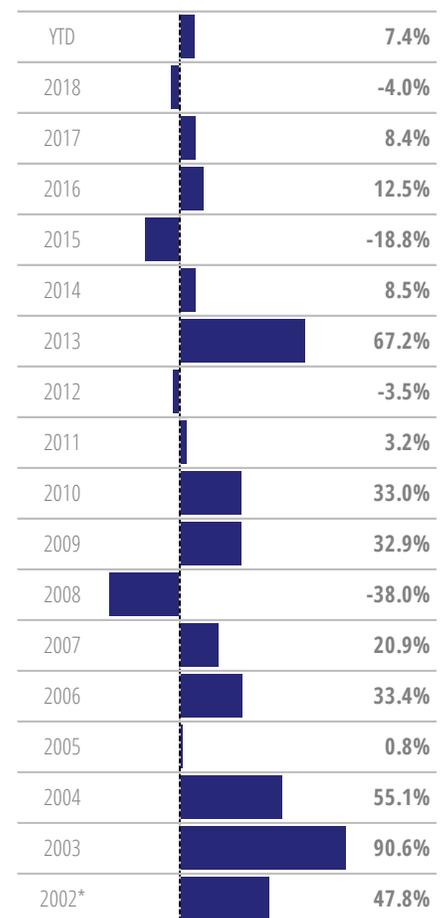
Annualized Since Inception (7/1/2002)



△ 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 6/30/2019

	Q2 2019	YTD	1 YEAR	3 YEARS	5 YEARS	10 YEARS	INCEPT
Pure Valuation Profitability (Net)	-3.4	7.4	-0.3	7.9	1.2	12.2	17.1
Russell 2000 Index	2.1	17.0	-1.4	13.1	7.5	13.7	9.0

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 June 30, 2019.

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