Investment Review and Outlook **April 2019**

"As The World Turns"

With the advent of the internet we have witnessed a dramatic change in the world order. Knowledge and information have become more broadly available in all corners of the globe. With the expansion of information to a broader world population we have witnessed dramatic changes in the structure of governments, along with change in leadership, and economies.

New technologies have helped to reduce the time and ability to develop new products. These new technologies have also reduced the cost of manufacturing as well as the cost of distributing products and services. Associated with the increased speed and scope of information that is distributed have come the change of leadership in governments. We have witnessed the extensive violence that has taken place with the overthrow of governments in Iraq, Egypt and Yemen. We currently are seeing similar uprisings in Iran, Syria and Venezuela. In Europe; England, France, Spain and Germany are experiencing potential changes in leadership. The US also has those who question the present Administration and seek a change.

The various changes in governments are having an impact on the level of economic activity as well as the ability to accurately forecast economic activity. Economic theories used to forecast future economic activity are primarily based on past experience which is used as a basis to forecast future economic activity. Similarly, investors have relied on historical valuations of data and relationships to forecast bond and equity valuations. Quantitative analysis coupled with information technology have fostered program trading that have create portfolio models that hope to provide above average investment returns.

Investors are now questioning the validity of the use of economic theory and models of portfolios based on past experience to forecast both future economic activity as well as investment success. Many economists and investment professionals now include political and social change along with economic theory to forecast both the economy and investment opportunities. This group has been termed "Socio-Political-Economists".

AHB has long recognized the need to include both political and social change along with economic metrics to develop forecasts for the economy. This analysis is then employed to evaluate attractive investments for client portfolios. Further impacting the ability to structure portfolios has been the significant reduction in the number of quality stocks and bonds that are now available to include in client portfolios.

The changes we have identified have been significant and have contributed to the creation of various forms of Electronic Traded Funds (ETF's) as well as other types of program trading. As program trading has attracted increased competition, their competitive advantage has been significantly reduced, leading to lower pricing of the product. Hedge Funds also continue to experience significant reductions in the number of Hedge Funds available to investors as performance has waned. Hedge Funds have then been replaced by Private Equity Funds. We view the increase in the number of Private Equity Funds as a rush to a new product to attract those investors who seek above average investment returns. These investment products are an expression of the reality that it has become increasing difficult to outperform the "market". The answer for many has been to buy the "market" with an ETF or invest in Private Equity Funds that seek above average longer term returns not tied to a market index. It has been said that "Wall Street's" creation of new products to attract investor's in many ways may be likened to the fashion industry. If the dress doesn't sell, place more frills on it such as bows, buttons or lace to make it more attractive. With Private Equity investments, the money is tied up for several years and the investor is generally subject to add more money to their investment. And of course one must wait for the term of the investment to end to find out its success.

Still other investors have chosen to seek an investment manager such as AHB where the investment manager will structure a client's portfolio to achieve the particular investment objective of the owner as opposed to attempt to outperform a market index without consideration of volatility and risk. Today, AHB has become the investment manager of "choice" for Financial Consultants and investors who wish to have their assets managed in a separately managed portfolio that seeks reasonably risk adjusted returns to achieve each owner's particular investment objective. This investment process places the owner of the assets first, as opposed to being lumped together with others.

Since its inception in 1981, AHB has managed only separately managed portfolios for clients. The portfolio may be Equity only, Balanced with both Equity and Bonds, or only Bonds which are either Taxable or Non-Taxable Municipal Bonds. Another significant differentiation AHB offers is the AHB Investment Process. All investment decisions are determined by the firm's Investment Policy Committee (IPC). The IPC is comprised of all analysts and portfolio managers at AHB. The IPC determines the approved stocks and bonds that an AHB portfolio manager may purchase for a client portfolio. Similarly, the IPC also determines which stocks and bonds held in a client's portfolio that are to be sold. There are "NO Stars" at AHB!! Therefore, all client portfolios benefit from the collaborative knowledge of all members of the IPC.

AHB will also work closely with clients to manage the account in accordance to the client's tax sensitivity to limit taxable gains and improve after-tax returns. Clients and Financial Consultants are encouraged to speak with any of the IPC members beyond the Relationship Manager/ Portfolio Manager assigned to service the portfolio. AHB periodically will reassign a Relationship Manager/ Portfolio Manager in an effort to ensure each relationship benefits from the breadth and depth of all professionals at the Firm.

With regards to AHB's investment outlook we continue to expect the US economy to grow at a slower rate than in 2018. We would expect inflation to be moderate and thus interest rates will most likely remain relatively stable. With respect to equities we would expect a higher level of volatility in the markets as a reaction to the several changes we have identified. Because of the expected increase in volatility we have structured client bond and stock portfolios with a greater emphasize on those companies that have a higher level of predictability in their sales and earnings. We have reduced investments in companies that are more sensitive to the changes in economic activity because of todays increased uncertainty.

In closing we once again thank you for your steadfast confidence in our Firm's Investment Process and the service we provide.

Investment Policy Committee

Abner, Herrman & Brock Asset Management

Founded in 1981, Abner, Herrman & Brock Asset Management manages portfolios individually structured to assist each client in achieving their investment objectives. Stock portfolios are managed utilizing a Core Equity philosophy, investing in both large capitalization value and growth disciplines with an objective of long-term, after-tax appreciation and below market volatility. Portfolios are diversified across economic sectors, industries and companies. Bond portfolios are managed to provide a high rate of current income and total return. Portfolios are invested in staggered maturities of U.S. Treasury, government agency and investment-grade corporate bonds and where appropriate, investment-grade municipal bonds. Portfolio managers are available to meet with clients upon request.

Please visit our website at www.ahbi.com for a more detailed description of our investment **Philosophy, Process and People.**