TRIBORO
Investment Management

All Cap Core
Portfolio Commentary

FIRST QUARTER 2018

Storm Clouds Gather

The first quarter of 2018 has been one of the most volatile quarters in the past several years. The January the S&P 500 index was up a robust 5.7% but the quarter finished down -0.76% as the S&P 500 index declined -3.7% in February and -2.5% in March.

Worries over a looming trade war with China and growing budget deficits continue to weigh on the market. We continue to look to move the portfolio towards traditionally defensive names as well as to larger cap names in order to reduce volatility.

Portfolio Analysis

The Triboro All Cap Portfolio had a weak first quarter. The strategy was doing well until the last 2 weeks of the quarter when sharp declines in semiconductors and industrials had a strong negative impact on performance. The strategy was -3.00% (gross of fees) -3.34% (net of fees) vs. -0.64% for the Russell 3000 TR index.

Positive & Negative Contributors to Performance

Performance was impacted by having too many deep value names in the portfolio that continue to underperform in this market. We will continue to rotate into new ideas we hope will perform well in the coming months.

Micron Technology (MU) is a semiconductor manufacturer. We established a position in July 2017 and since then it had grown to be our largest position. The stock increased 26% during the quarter although it did drop 8% on March 23 when it announced earnings that beat already increased estimates.

E*Trade Financial (ETFC) is a retail stock brokerage. The initial purchase of the stock was in January 2017. The stock increased 11.7% in the first quarter as earnings beat estimates for the 10th consecutive quarter.

The worst performing stocks in Q1 were Applied Optoelectronics (AAOI -33%) and Zagg Inc. (ZAGG -33%). AAOI beat earnings estimates but missed sales estimates. As our position in the stock is small we will continue to hold as the stock has bottomed and the company is showing signs of an improving outlook. ZAGG dropped 20% on March 8 as it lowered earnings guidance and the CEO resigned. We will likely exit the position in Q2

Value stocks continue to underperform the market. We will be reducing the number of value stocks in our portfolio as we sell those that we feels are least likely to resume a growth path in the future. We continue to use our process to search for names that diversify the portfolio. Our heaviest underweight is in Health Care but we are beginning to see some ideas in the sector to consider adding to the portfolio.

Executive Summary

- Increased volatility calls for increasing caution. We will invest using our process but with an eye towards finding new ideas in less volatile sectors where possible.

- We continue to search for new tools and strategies to improve how we execute the investment process.

We appreciate your business and our team is always available to assist with questions or to explore a deeper conversation.

Regards,

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