
THIRD QUARTER 2018

Positioned for a Downturn

As the fourth quarter of 2018 begins, we feel the portfolio is well positioned for what we predict will be an extremely difficult period for the US markets.

The S&P 500 had an excellent third quarter - the index was up 7.71%. Year to date it is up 10.56%. However we are beginning to see signs that the market is reaching an inflection point that will signal the beginning of a downturn.

The portfolio is designed to reflect our opinion that the market is currently headed for a deep and prolonged correction. The combination of increasing government debt and increasing belligerence towards China - holders of \$1.7 trillion in US debt as of July - leaves the US exposed to severe economic consequences. We fear that rapidly rising US debt is a threat to the US markets, the US dollar and ultimately US treasuries.

Portfolio Analysis

The Triboro Alternative strategy had a difficult third quarter. The strategy was -3.62% (gross of fees). Our positions in gold and the short S&P hurt performance.

During the worst 10 days for the S&P 500 year to date the index was down -21.22%. Over those 10 days the Triboro Alternative Strategy was up +2.9%.

This material represents an assessment of the market and economic environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. Forward-looking statements are subject to certain risks and uncertainties. Actual results, performance, or achievements may differ materially from those expressed or implied. Information is based on data gathered from what we believe are reliable sources.

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By staying short the S&P 500 and the 20+ year US Treasury and being long foreign fixed outperformed the market on the most volatile down days.

Portfolio Activity

During September we increased our position in the ProShares Short S&P 500 ETF and established a small position in the iPath S&P 500 VIX ST Futures ETN to reflect our belief that the US equity markets will underperform in Q4 2018.

Executive Summary

- The strategy uses asset classes not correlated to the US markets to manage the risk in sharp downturns in the US markets
- The portfolio is positioned to protect against the possibility of increasing underperformance in US equities and treasuries in the fourth quarter of 2018 and beyond..

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

Regards,

Philip Mendelsohn, CFA
Portfolio Manager