
THIRD QUARTER 2018

Positioning for a Downturn

As the fourth quarter of 2018 begins, we are beginning to position the portfolio for what we predict will be an extremely difficult period for the US markets. We are increasingly adding names we feel will be defensive in an upcoming downturn in the market.

The combination of increasing government debt and increasing friction with 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.

We feel the growth stock driven rally of the past 3 years is reaching the end. A shift towards a more value oriented market will favor our style of stock selection.

Portfolio Analysis

The Triboro Socially Responsible All Cap Portfolio had a disappointing quarter. The strategy was +4.03% (gross of fees) vs +6.25% for the MSCI KLD 400 Social Index.

Positive & Negative Contributors to Performance

IQVIA Holdings (IQV) is an information technology provider to the health care industry. The stock increased 29% during Q3 as the company sales and earnings beat expectations and guided up expectations for the remainder of 2018.

Royal Caribbean Cruises Ltd (RCL) is the world's second largest cruise ship company with a fleet of over 50 ships. The stock had been in the portfolio for over 4 years. The stock was up 26% in Q3 as earnings and revenues beat estimates.

The worst performing stocks in Q3 were Western Digital Corp (WDC -24%) and SolarEdge Technologies (SEDG -21%). WDC declined even though it beat earnings and revenue estimates in Q3 but estimates for future quarters continued to decline. We will continue to hold the stock as we view it as being significantly undervalued and feel the cycle in demand for its products is nearing the bottom. SolarEdge missed earnings estimates in Q3. We will hold the stock through the next earnings report.

The worst performing sectors in Q3 were Consumer Discretionary and Technology. In Consumer Discretionary performance was hurt by stock selection. In Technology we have continued to diversify our holdings in the sector through Q3 and into Q4.

Executive Summary

- Diversification will be a key factor for the remainder of the year. We will continue to examine factors that affect the portfolio across industry sectors to reduce risk.
- We continue to search for any way to improve how we execute the investment process.

We appreciate your interest. Our team is always available to discuss our process.

Regards,

Philip Mendelsohn, CFA
Portfolio Manager



Socially Responsible All Cap Portfolio Commentary

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