Triboro Investment Management

All Cap Core
Portfolio Commentary

FOURTH QUARTER 2018

A Change in the Weather

As the fourth quarter of 2018 began, we predicted that it would be the beginning of an extremely difficult period for the US markets. During Q4, The S&P 500 had its worst quarter of performance since 2011. It was also the first time in history that the S&P 500 had a negative 4th quarter after rising the previous 3 quarters.

We feel this is the early stage of what will be a deep and prolonged correction. Throughout Q3 and Q4 and into Q1 2019 we have been adding stocks that we hope will be somewhat defensive during a market downturn.

We fear that rapidly rising US debt is a threat to the US markets, the US dollar and ultimately US treasuries. A needless government shutdown will do damage to the perceived stability of US government debt.

Portfolio Analysis

The Triboro All Cap Portfolio had a disappointing quarter. The strategy was -15.72% (gross of fees) vs. -13.52% for the S&P 500 Index.

Positive & Negative Contributors to Performance

Our best performing sectors in Q4 were Telecommunications Services and Utilities. In Telecommunications we added some defensive names during the quarter. Utilities traditionally outperform in declining markets.

Nutrisystem Inc (NTRI) is a provider of weight loss products and services. The stock increased 19% during Q4 as the company was sold to Tivity Health Inc on December 10. We took our profits and sold the position in late December.

Ciena Corporation (CIEN) makes optical networking equipment. We bought the stock in late October. The stock rose 10.6% during the quarter. In late December the company announced earnings and sales that exceeded analyst estimates.

The worst performing stocks in Q4 were Capri Holdings (CPRI -45%) and Valero Energy (VLO -33%). On 9/24 Capri announced that it would purchase Versace for $2.0 billion. In October the company announced sales that were slightly below estimates. We will continue to hold this deeply undervalued company. Valero is a large oil refiner. The stock was hurt by a large decrease in prices for oil and ethanol products.

The worst performing sector in Q4 was Technology where our holdings continued to be hurt by exposure to weakening demand for computer chips.

We will continue to purge underperforming value stocks from the portfolio.

Executive Summary

- We will add more defensive names to the portfolio in 2019 as we continue to predict a weakening US equity market.

- We continue to search for any new tools and strategies that can 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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