
FOURTH QUARTER 2018

Positioned for a Downturn

During the fourth quarter of 2018 the portfolio clearly demonstrated its value to investors during a declining market.

As the end of Q3 2018 we were beginning to see signs that the market was reaching an inflection point that would signal the beginning of a downturn. In Q4 2018 we were proven correct.

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. A needless government shutdown will do damage to the perceived stability of US government debt.

Portfolio Analysis

The Triboro Alternative strategy had an outstanding fourth quarter. The strategy was +8.00% (gross of fees). The S&P 500 declined by 13.52%.

During the worst 10 days for the S&P 500 in 2018 the index was down -25.85%. Over those 10 days the Triboro Alternative Strategy was up +8.3%.

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Q4 performance has helped by the position we entered in the iPath S&P 500 VIX ST Futures ETN at the end of Q3 as we correctly predicted the market downturn in Q4.

Portfolio Activity

During November we eliminated the position in the ProShares Short 20+ Year Treasury ETF as we felt that any sharp decline in the markets would lead to increased purchases of US bonds as investors would be seeking safety.

Executive Summary

- We feel that the market decline during Q4 2018 was only the beginning of a longer and deeper decline that will continue through 2019 and beyond.
- The portfolio is positioned to protect against the possibility of increasing underperformance in US equities and a declining US dollar as 2019 begins.
- The strategy uses asset classes not correlated to the US markets to manage the risk in sharp downturns in the US markets.

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

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