TRIBORO Investment Management

Socially Responsible All Cap
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 Socially Responsible All Cap Portfolio had a disappointing quarter. The strategy was -14.70% (gross of fees) vs -12.46% for the MSCI KLD 400 Social Index. In Q1 2019 we will continue to search for more defensive names to add to the portfolio.

Positive & Negative Contributors to Performance

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 Western Digital Corp (WDC -36%). 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. Western Digital missed earnings and revenue estimates during the quarter. The stock is selling at less that 10x earnings and the dividend yield is 4%. We will continue to hold the stock as the demand cycle for its products should be more favorable later in 2019.

The worst performing sectors in Q4 were Technology and Consumer Discretionary. In Technology our holdings continued to be hurt by exposure to weakening demand for chips. In Consumer Discretionary performance was hurt by stock selection. Retail was weak during the quarter.

Executive Summary

- Being defensive will be key in 2019 as we continue to predict a weakening US equity market.

- 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

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