

# Atherean

## Wealth Management, LLC

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April 30, 2019

Dear Atherean Wealth Management client:

Enclosed is your portfolio summary report for the quarter ending March 31, 2019, as well as an investment advisory fee statement for the second quarter of 2019. The portfolio summary report shows the holdings in your accounts as well as an overview of the portfolio asset allocation as of the close of the first quarter of 2019. It also provides a summary of your investment objectives, time horizon, and risk tolerance as per our records. It is important that you review this information and let us know if any of it is incorrect.

### **Equity and Fixed Income Market Performance**

Equity and fixed income markets rallied in the first quarter of 2019 from their December lows, with the S&P 500 index up 13.5%, the Russell 2000 small cap index up 14.6%, the MSCI EAFE (Europe, Asia and Far East) index up 10.3%, and the Barclays U.S. aggregate bond index up 2.9% year to date as of the end of the quarter, on a total return basis. We attribute the majority of this strong market performance to the shift in Fed policy from hawkish to dovish over the past six months and the resulting shift in the treasury yield curve across all maturities.

### **Economic and market review and outlook**

S&P 500 earnings fell sharply in the fourth quarter of 2018, and as recently as February many economists were predicting a global slowdown and negative earnings growth in the first quarter of 2019. However, we are encouraged by the strong U.S. GDP growth numbers which were released shortly before the writing of this letter, and believe that first quarter corporate earnings will exceed their consensus expectations. While equity market returns in the first quarter were largely driven by macroeconomic, systematic factors such as interest rates and Fed policy, we expect equity market returns for the remainder of the year to be driven by repositioning related to earnings results, growth, and security valuation at the individual company and microeconomic level.

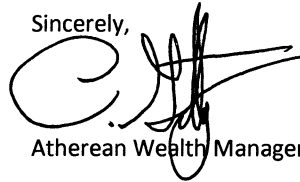
### **Portfolio Management Process**

Atherean Wealth Management was founded in 2014 to provide wealth management, financial planning, portfolio management, asset allocation and tax advice and planning. When we first began operation, we had a purely passive ("indexing") investment philosophy, focusing on achieving market tracking returns at the lowest possible cost by achieving passive exposure to various asset classes throughout the world and across the capital structure and company spectrum. However, as we have discussed in various quarterly updates, we have become concerned by the amount of concentrated risk inherent in many index-based strategies. As time has gone on, our investment philosophy has evolved. As we have developed more financial markets expertise we have gradually transitioned from a passive allocator to an active asset manager who attempts to generate above market risk-adjusted returns for our clients. While in the past we have for the most part generated exposure to asset classes in client portfolios by means of exposures to various indexes (such as the S&P 500, Russell 2000, MSCI EAFE, and Barclays Aggregate Bond Index discussed above, among many

others), we see ourselves continuing to transition from an allocator to an active security selector/asset manager over the next few years. Therefore, from time to time we may take positions in individual securities in your accounts, depending on your risk tolerance, investment objectives, time horizon, and preferences. Our security selection process focuses on revenue growth, low debt, high return on equity, solid corporate governance and management, effective capital allocation, and attractive valuation at the individual company level. In addition to the asset/investment/portfolio management services discussed above, we will of course continue to deliver the same quality of financial and tax planning and tax advice to our clients which we have delivered in the past.

Let us know if there are any changes to your financial profile or investment objectives. If you would like to review your portfolio and/or financial plan in greater detail, have any tax planning or tax advice concerns, or have any other questions or concerns, feel free to contact us.

Sincerely,

A handwritten signature in black ink, appearing to be 'C. J. [unclear]', written over the word 'Sincerely,'.

Atherean Wealth Management, LLC