LANIER
ASSET MANAGEMENT LLC

Building Confidence and Security in Your Financial Future

Monthly Update **April 2019**

Yet Another Burden On The US Economy

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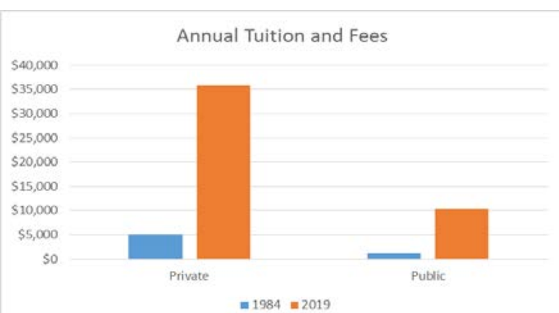
CEO, Principal

In 1984, I graduated high school and enrolled as a freshman at UNC Chapel Hill. College was expensive, but you really can't put a price tag on education. Right? Looking back on it now, both of the statements are false. Relatively speaking, college was not expensive at the time. I grew up in Charlotte, so annual tuition at UNC cost me (actually my loving parents) a total of $480. Even if I was "saddled" with out-of-state tuition, it would have cost $3,100/year. And you really can – and should – put a price tag on education. And boy has that price tag gone up!

The College Board publishes an annual survey of college costs. In 1984, average annual tuition and fees for 4-year private and public colleges were $5,090 and $1,150 respectively. By 2019, those numbers were $35,830 and $10,230. That's an increase of 604% and 790% over 35 years. That's 2-3x the pace of inflation. That's twice the rate of US health care cost increases over the same period. Throw another $12k/year on top of that for room and board and the total cost is astounding.

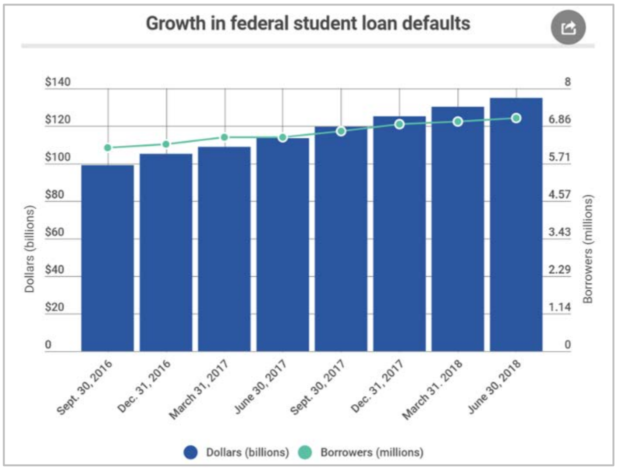


But a college education gets you a higher paying job, right? Well, yes. But average starting salaries in 1988 (when I graduated) for those that earned a bachelor's degree was $25,000. In 2018, it was $50,000. That's not quite keeping up!

So, how is anyone paying for this? Student debt. And a mountain of it. The current figures are staggering. There is now $1.57 trillion in outstanding student debt. Student loans have now passed credit cards as the second largest component of household debt in the US. 42.9 million Americans hold student debt with an average outstanding balance of $33.3k, average monthly payments of $393 and average time to repay them of 21.1 years.

This is a huge problem. If you hold the loans, there aren't many options: A) slowly pay it off (average time = 21.1 years), B) extend by refinancing the debt (average time > 21 years),

C) take a job somewhere in public service whereby the debt can be forgiven in 10-15 years, or D) declare bankruptcy. Oh wait, option D doesn't work. Even if you declare bankruptcy, student loan debt does not go away.



It's also a huge problem for the US GDP. As student debt has grown, spending by those in debt is down, defaults are up (in June 2018, 7 million borrowers were in default on $135 billion), credit ratings are lower, home buying is delayed, and more and more graduates are still living with their parents. (This last one is especially troubling for me as I have two in college right now and one more to go.)

While most people are aware of and acknowledge student debt as a serious issue, there are no easy solutions. Sound familiar? Federal debt and deficit spending problems? Unfunded pension plans? Tenuous Social Security liquidity? States and municipalities on the verge of bankruptcy? At some point, all of this will unravel. What can you do? If you have children or grandchildren that will be going to school, open and fund their 529 plans. For the rest of your portfolio? Invest and diversify wisely. When all of these bills come due, you will be glad that you did.

Mark is a co-founder of Lanier Asset Management and serves as its Chief Executive Officer. Prior to founding Lanier, he was a partner at The Boston Consulting Group. Mark is an honors graduate of The University of North Carolina at Chapel Hill with a BA in Economics, and holds an MBA from The Harvard Business School.

Key Points From Our Investment Meeting – 4/11/19

Macro Viewpoint

- The IMF lowered world growth rates. It says US GDP will grow by ~2.3%.
- Trade talks with China continue to progress positively, although final provisions are still unclear.
- Fed Chairman Powell believes we are now truly in a wait and see attitude in regards to interest rates. He has also decided to stop reducing the Fed's balance sheet at the present time.

Asset Class Comments

- Are negative rates on the ten year German bond a precursor of slower things to come?
- Value stocks have underperformed growth stocks over multi-year periods. Is it time to look to value?
- Use more caution and be selective.

Performance Update

	Investment Vehicle	March	QTD	YTD	1-Year	3-Year	5-Year	7-Year	10-Year
		Total Return (%)				Annualized			
TRADITIONAL ASSETS									
Cash									
Vanguard Reserve Prime Money Market		0.2%	0.6%	0.6%	2.2%	1.4%	0.9%	0.7%	0.5%
Fixed Income									
Domestic (Barclays US Agg)		1.9%	3.0%	3.0%	4.5%	2.0%	2.7%	2.4%	3.7%
Vanguard Total Bond Market	VBMFX	2.0%	2.9%	2.9%	4.4%	1.9%	2.6%	2.3%	3.6%
RiverNorth Doubleline	RNDLX	1.0%	5.4%	5.4%	4.1%	4.5%	3.8%	3.9%	4.8%
Eaton Vance Floating Rate	EIBLX	-0.1%	3.5%	3.5%	2.7%	5.9%	3.6%	4.0%	7.4%
US Preferred Stock ETF	PFF	1.5%	7.8%	7.8%	3.2%	3.4%	4.5%	5.0%	11.7%
High Yield (Barclays US Corp HY)		1.3%	8.1%	8.1%	6.2%	7.5%	4.2%	3.5%	8.7%
Short Term High Yield	SJNK	0.8%	5.7%	5.7%	5.2%	7.7%	3.0%	4.3%	9.8%
Equities									
Domestic Large Cap (S&P 500 TR)		1.8%	13.1%	13.1%	7.3%	11.2%	8.6%	10.5%	13.5%
S&P Equal Weight	RSP	0.8%	14.8%	14.8%	7.0%	11.7%	9.2%	12.3%	17.3%
Domestic Mid Cap (S&P 400 TR)		-0.6%	14.5%	14.5%	2.6%	11.3%	8.1%	11.3%	16.2%
Vanguard Mid-Cap ETF	VO	1.4%	16.7%	16.7%	6.0%	11.6%	8.9%	11.8%	16.7%
Domestic Small Cap (S&P 600 TR)		-3.3%	11.6%	11.6%	1.6%	12.3%	8.3%	12.0%	16.9%
Vanguard Small-Cap ETF	VB	-0.9%	16.1%	16.1%	5.6%	14.6%	9.0%	12.4%	17.6%
Developed Intl. (MSCI EAFE)		0.1%	9.0%	9.0%	-6.5%	5.8%	1.4%	5.0%	8.5%
MSCI EAFE	EFA	0.1%	9.4%	9.4%	-4.8%	7.1%	2.1%	5.4%	8.7%
Emerging Intl. (MSCI EM)		0.7%	9.6%	9.6%	-9.6%	9.5%	3.0%	2.2%	8.6%
Vanguard FTSE Emerging Markets ETF	VWO	0.9%	10.2%	10.2%	-8.4%	9.4%	3.4%	2.2%	8.5%
Real Assets									
Real Estate (FTSE NAREIT US REIT)		4.4%	16.9%	16.9%	18.5%	7.1%	9.0%	9.4%	17.8%
Mortgage Real Estate	REM	1.9%	10.3%	10.3%	11.5%	14.2%	8.2%	8.5%	10.1%
REIT ETF	VNQ	4.2%	17.4%	17.4%	20.1%	5.7%	8.8%	9.0%	18.4%
Commodities (Thomson Reuters/Jefferies CRB Index)		0.2%	16.6%	16.6%	-0.8%	12.0%	-7.9%	-5.9%	-0.9%
DBC	DBC	-0.4%	9.7%	9.7%	-5.1%	6.6%	-10.5%	-8.6%	-2.7%
BlackRock	BCSAX	0.1%	8.6%	8.6%	-4.1%	7.8%	-3.6%	-3.8%	0.7%
Gold	GLD	-1.6%	0.6%	0.6%	-3.0%	1.2%	1.3%	-2.8%	4.3%
DIVERSIFYING STRATEGIES									
Hedge Funds									
HFRI WCI		1.0%	5.9%	5.9%	0.9%	5.1%	3.1%	3.9%	5.5%
INFINITY*	OCEAN	0.5%	2.0%	2.0%	1.4%	4.9%	4.6%	6.2%	7.0%
Boston Partners Long/Short Equity	BPLEX	-0.2%	3.9%	3.9%	-10.7%	-0.7%	1.3%	3.2%	12.2%
QIM Tactical Aggressive*	QIM TA	3.6%	1.3%	1.3%	-26.3%	0.3%	4.7%	4.8%	10.5%
Millennium*	MILLENN	0.0%	1.7%	1.7%	2.9%	7.3%	7.5%	8.1%	9.1%
Verition*	VERITION	-0.6%	2.2%	2.2%	2.2%	6.2%	7.3%	10.1%	11.8%
Renaissance*	RENAISS	0.9%	4.5%	4.5%	10.8%	10.7%	15.0%	13.1%	15.1%
Third Point*	THIRD P	2.8%	8.4%	8.4%	-3.6%	6.3%	2.9%	7.4%	11.9%
Lanier Hedge Fund*	LHF	0.4%	3.1%	3.1%	1.8%	6.2%	6.7%	8.1%	10.1%
Boston Partners Global Long/Short	BGLSX	-0.6%	1.9%	1.9%	-5.5%	1.0%	1.9%	3.1%	5.0%

= Benchmarks
= Lanier Selections

* For Accredited Investors

Our Team

Mark R. Hoffman
CEO, Principal

Junius V. (Trip) Beaver, III
Co-Chief Investment Officer, Principal

Carl W. Hafele, CFA, CPA
Co-Chief Investment Officer, Principal

John E. Thompson
Director, Private Client Group

Dr. Daniel L. Bauer
Financial Consultant

Sara B. Thomas, JD, CPA
Financial Consultant

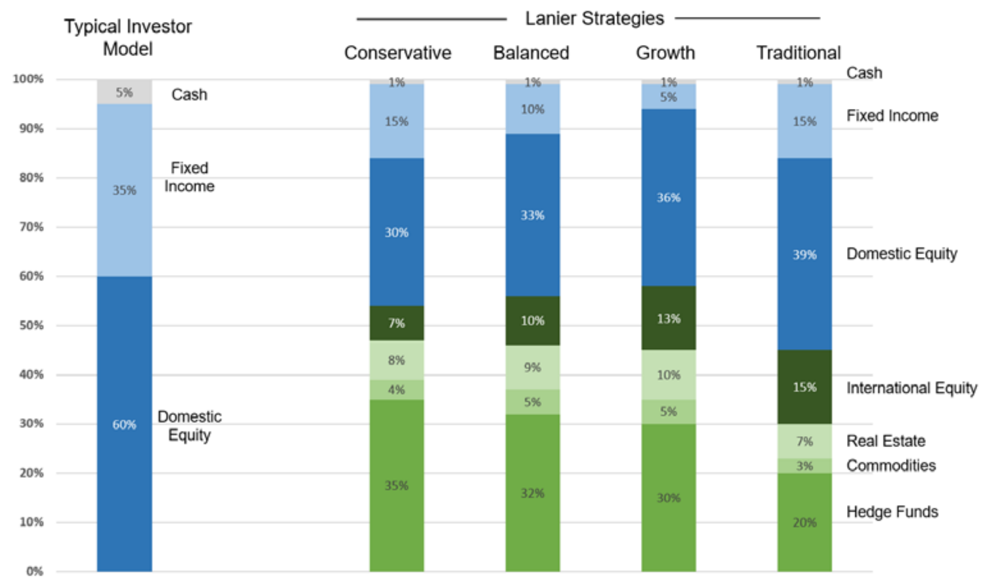
Deidre M. Durbin
Chief Compliance Officer

Stephanie E. Milby
Investment Associate

Building Confidence and Security in Your Financial Future

Our Approach

At Lanier, we believe that portfolios designed to deliver superior performance and lower correlation with the overall markets must decrease reliance on stocks and bonds and be complemented with a set of diversifying strategies and alternatives



Each of our clients has a unique set of needs (based on age, risk tolerance, income need, etc.) and an asset allocation model designed specifically to meet those needs. Consequently, actual client investment models can and do vary from the allocation percentages listed above.

Lanier Asset Management is an independent Registered Investment Advisory firm. Our mission: ***To Build Confidence and Security in our Clients' Financial Future***. We use an open architecture investment structure to combine the best of proprietary and independent investment strategies. At Lanier, we deliver superior service and performance to our clients as a result of four distinguishing elements:

- **People**: we are an independent firm, providing objective advice from experienced investment professionals working in your best interests
- **Investment Philosophy**: we seek to smooth investment returns, providing superior investment performance and a significantly lower correlation to the overall market
    - Focus on projected returns rather than historic for all asset classes
    - Similar to the largest U.S. endowments
- **Investment Process**: combine active and passive management in traditional asset classes; complement with diversifying strategies/ alternatives
- **Conviction**: we believe in our approach – this is how we invest our own money