LANIER
ASSET MANAGEMENT LLC

Building Confidence and Security in Your Financial Future

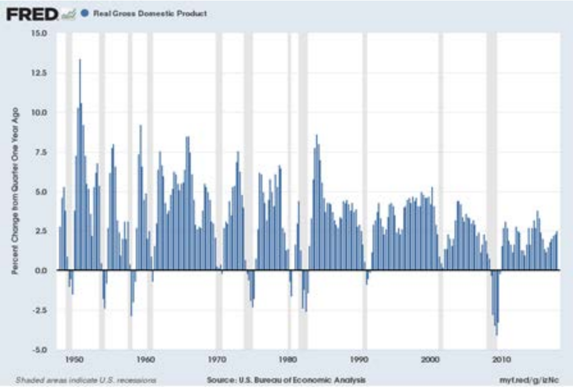
Monthly Update

March 2018

Policies for Economic Growth

Mark R. Hoffman

CEO, Principal



If there is one thing everyone in Washington D.C. can agree on, it's that we want growth. A growing U.S. economy can cure many woes. But the "recovery" that we are in since the 2008 financial crisis has been one of the slowest on record and GDP growth rates have been trending lower for years. Note the lower growth rate trend on the graph since 2000.

For the U.S. economy to achieve its full growth potential, economic policies must support and encourage productive activities. So, what policies do this and how are we doing? We think there are six key policy areas that enable growth. Bipartisan economists agree that if we can get five or more right, we can have a solid environment for growth. But if two or more of these areas are out of whack, returning to 3%+ GDP growth will be very challenging.

Policies	Prior Administration	Current Administration Promises
Legal Environment	✓	✓
Competitive Markets	✓	✓
Stable Currency	✓	✓
Avoid High Marginal Tax Rates	✗	✗
Minimal Regulation	✗	✓
Open Trade	✓	✓ / ✗

Let's start with the easy ones – the ones that we currently have right. 1) We need a Legal Environment that protects property rights and enforces contracts. We get a passing grade on that one. 2) We need Competitive Markets that encourage and reward innovation in products and services. We'll give the U.S. an "A" on this one, too. 3) To make investment decisions and make investment decisions and long-term plans, companies need a Stable Currency. If your currency isn't stable, companies will simply invest for growth somewhere else! The U.S. is on a roll here. Another "A" on the report card. If we could stop here, we'd have a 4.0 GPA and be off and running.

However, the next three are where we run into problems. 4) To encourage people to work hard and take on profitable endeavors, we need to Avoid High Marginal Tax Rates. Taken to the extreme, why take on anything if all of the profits and rewards are taxed away? When Trump took office, he promised to push through a tax reduction plan. Directionally, this was supportive of growth. But it remains to be seen just how much growth this will enable, and my guess is that most people reading this still has a marginal tax rate above 40%. This problem is not solved.

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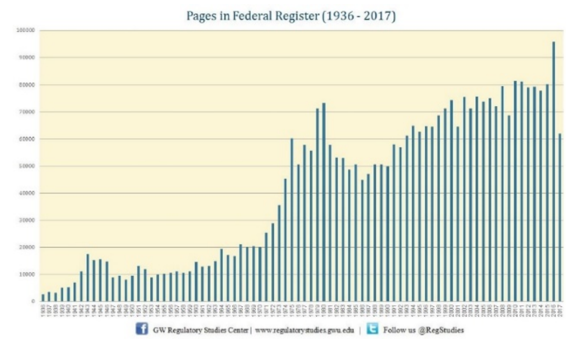
5) Minimal Regulation. Many regulations are certainly appropriate. But over-regulation strangles business and impedes growth. Under the Obama administration, the regulatory environment spun (in our opinion) out of control. This is a tough one to measure, but consider the chart on the right, showing the total number of pages in the Federal Register (the official journal containing government agency rules, proposed rules, and public notices). The numbers have been growing for years, but in Obama's last year, the page count stood at 97,000. Trump vowed to reduce regulation and indeed, by the end of 2017, the number stood at 61,000. I'm not sure we can give ourselves an "A" on the report card for this one, but it is certainly trending in the right direction. "Big government equals lower GDP growth rates" is subscribed to by all economists except a few on the very far left.



6) Open Trade encourages countries to maximize growth by focusing on industries where they have a competitive advantage. It can be argued that some of the U.S.'s trade deals are not fair. Trump certainly is arguing that. But his actions in early March to slap tariffs on steel and aluminum could very well lead to nasty trade wars. The EU is already threatening to retaliate with tariffs on everything from industrial goods to peanut butter to bourbon (Noooo! Not bourbon!).

In summary, I count four check marks for the Obama administration and the same for Trump. Not good enough. To get real GDP growth back over 3%, we have to do better.

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 – 3/9/18

Macro Viewpoint

- Trade war potentially coming. The markets don't seem to believe it will happen or matter.
- The positive steroids of quantitative easing are over and slowly reversing. First the US, and now the EU is considering the same move.
- How will US tariffs come into play in the US and global markets?

Asset Class Comments

- As volatility comes back and then declines, the markets move toward all time highs.
- The markets have experienced a 10% correction for the first time in years. Are the equity markets really cheap now? Not according to JPMorgan and others.
- Please consider your risk at this stage in the cycle, as we are in the 9th year of an expansion versus an average of 6 years.

Performance Update

	Investment Vehicle	Total Return (%)							
						Annualized			
		February	QTD	YTD	1-Year	3-Year	5-Year	7-Year	10-Year
TRADITIONAL ASSETS									
Cash									
Vanguard Reserve Prime Money Market		0.1%	0.3%	0.3%	1.2%	0.7%	0.4%	0.3%	0.5%
Fixed Income									
Domestic (Barclays US Agg)		-1.0%	-2.3%	-2.3%	0.4%	1.1%	1.6%	2.7%	3.5%
Vanguard Total Bond Market	VBMFX	-1.0%	-2.1%	-2.1%	0.3%	1.0%	1.5%	2.7%	3.4%
RiverNorth Doubleline	RNDLX	-0.6%	-1.0%	-1.0%	1.3%	3.1%	3.5%	4.3%	4.6%
Eaton Vance Floating Rate	EIBLX	0.2%	1.1%	1.1%	4.4%	4.4%	3.8%	4.1%	4.9%
US Preferred Stock ETF	PFF	0.3%	-0.9%	-0.9%	1.9%	3.2%	4.5%	5.2%	4.8%
High Yield (Barclays US Corp HY)		-0.9%	-0.9%	-0.9%	2.4%	2.7%	3.1%	2.9%	5.8%
Short Term High Yield	SJNK	-0.4%	0.3%	0.3%	3.4%	3.4%	3.3%	4.5%	6.9%
Equities									
Domestic Large Cap (S&P 500 TR)		-3.9%	1.5%	1.5%	14.8%	8.9%	12.4%	10.8%	7.4%
S&P Equal Weight	RSP	-4.4%	-0.2%	-0.2%	12.4%	8.7%	13.6%	12.2%	10.4%
Domestic Mid Cap (S&P 400 TR)		-4.4%	-1.7%	-1.7%	9.6%	8.9%	12.7%	11.4%	10.6%
Vanguard Mid-Cap ETF	VO	-4.0%	0.1%	0.1%	12.5%	8.0%	13.3%	11.6%	9.9%
Domestic Small Cap (S&P 600 TR)		-3.9%	-1.4%	-1.4%	10.3%	10.4%	13.9%	12.7%	11.1%
Vanguard Small-Cap ETF	VB	0.8%	3.5%	3.5%	15.9%	9.9%	13.6%	11.9%	11.1%
Developed Intl. (MSCI EAFE)		-4.7%	0.0%	0.0%	19.2%	5.3%	6.8%	5.1%	2.7%
MSCI EAFE	EFA	-4.8%	-0.1%	-0.1%	19.6%	5.5%	6.9%	5.0%	2.8%
Emerging Intl. (MSCI EM)		-4.7%	3.2%	3.2%	29.7%	8.7%	4.9%	3.5%	2.6%
Vanguard FTSE Emerging Markets ETF	VWO	-5.4%	2.7%	2.7%	24.9%	6.9%	4.4%	2.9%	2.3%
Real Assets									
Real Estate (FTSE NAREIT US REIT)		-7.0%	-10.0%	-10.0%	-6.5%	1.3%	5.8%	7.6%	6.7%
Mortgage Real Estate	REM	-3.2%	-9.8%	-9.8%	-0.2%	5.3%	3.9%	5.4%	0.9%
REIT ETF	VNQ	-7.7%	-11.6%	-11.6%	-10.2%	0.1%	5.6%	7.2%	6.8%
Commodities (Thomson Reuters/Jefferies CRB Index)		-4.0%	-1.6%	-1.6%	11.5%	-4.4%	-7.8%	-8.1%	-7.2%
DBC	DBC	-2.9%	-0.1%	-0.1%	5.6%	-3.0%	-10.5%	-9.1%	-7.8%
BlackRock	BCSAX	3.9%	6.3%	6.3%	12.5%	1.9%	-2.9%	-4.9%	-5.0%
Gold	GLD	-2.1%	1.1%	1.1%	4.8%	2.5%	-2.5%	-0.4%	4.2%
DIVERSIFYING STRATEGIES									
Hedge Funds									
HFRI WCI		-1.8%	0.9%	0.9%	7.9%	4.1%	4.7%	3.6%	3.5%
INFINITY*	OCEAN	0.2%	1.4%	1.4%	5.6%	4.5%	6.6%	6.8%	6.4%
Boston Partners Long/Short Equity	BPLEX	-5.5%	-3.4%	-3.4%	-2.4%	7.5%	5.4%	6.4%	11.4%
QIM Tactical Aggressive*	QIM TA	-24.6%	-22.6%	-22.6%	10.7%	11.8%	11.1%	14.1%	18.4%
Millennium*	MILLENN	1.0%	3.2%	3.2%	9.3%	7.5%	9.4%	8.6%	8.4%
Verition*	VERITION	-0.8%	-1.4%	-1.4%	8.7%	9.2%	11.5%	10.0%	12.7%
Renaissance*	RENAISS	-2.8%	-0.9%	-0.9%	9.6%	15.7%	14.2%	16.5%	11.0%
Third Point*	THIRD P	-3.0%	0.6%	0.6%	11.9%	5.3%	7.8%	7.8%	8.8%
Hedge Fund Plus*	HF+	-6.7%	-5.0%	-5.0%	10.4%	9.4%	10.5%	11.1%	11.9%
Boston Partners Global Long/Short	BGLSX	-2.1%	-0.1%	-0.1%	5.4%	4.5%	5.2%	3.9%	3.7%
Managed Futures									
Barclays CTA Index		-0.2%	-0.4%	-0.4%	1.2%	0.6%	1.8%	0.6%	1.8%
WINTON*	WINTON	-6.8%	-3.7%	-3.7%	-2.1%	-4.2%	-0.4%	-1.3%	-0.4%
QIM*	QIM	-7.2%	-8.9%	-8.9%	-9.4%	6.8%	0.1%	-0.2%	1.0%
AQR Managed Futures Strategy	AQMNX	-5.8%	-2.2%	-2.2%	-5.1%	-4.8%	0.9%	0.4%	1.5%
Natixis ASG Managed Futures Strategy	ASFYX	-9.5%	-3.4%	-3.4%	0.5%	-4.2%	5.7%	1.9%	3.1%

= Benchmarks
= Lanier Selections

* For Accredited Investors

Our Team

Mark R. Hoffman
CEO, Principal

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

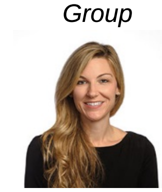
Carl W. Hafele, CFA, CPA
Co-Chief Investment Officer, Principal

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

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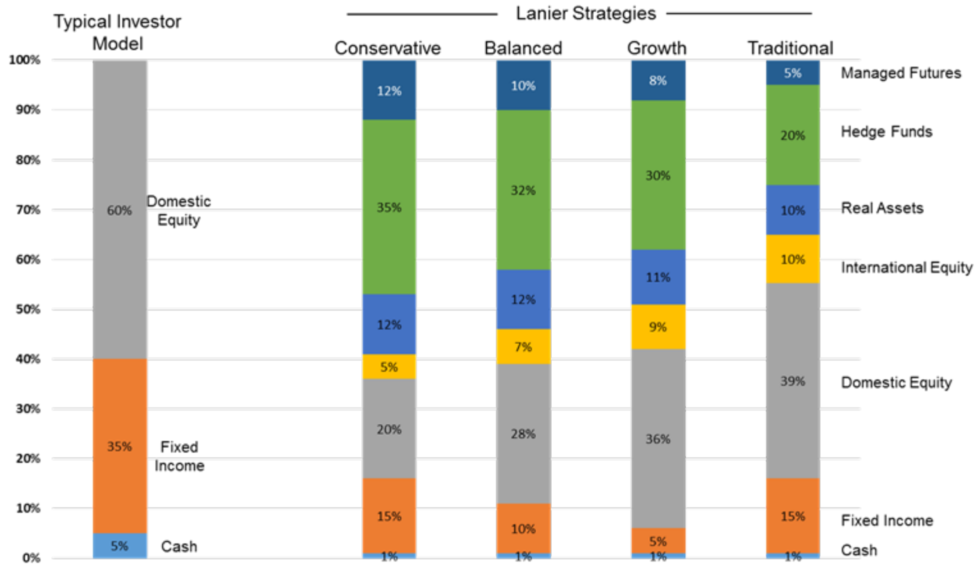
Our Approach

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