LANIER
ASSET MANAGEMENT LLC

Building Confidence and Security in Your Financial Future

Monthly Update

January 2020

The Roaring (or Boring?) 20's Are Here!

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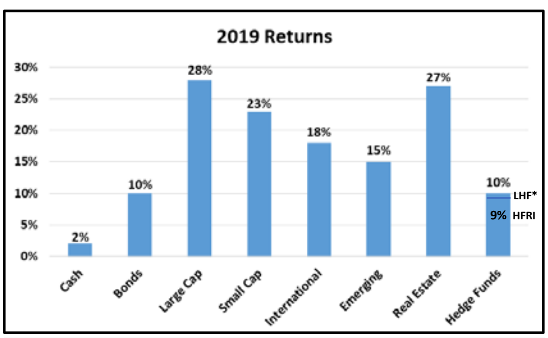
A Historical Perspective

As we enter a new decade, what's in store for investors? Will it be a repeat of the 2010-2019 decade of ~11% annual rate of return from stocks – normal by historic standards as we rebounded from the Great Recession? Or will it be rosier a la the 1980's and 1990's (our generation's Roaring 20's), where we had 17-18% per year driven by multiple expansions? Or could we see subpar returns of 0-5% per year a la the 1960's, 1970's and 2000's – all driven by multiple contractions?

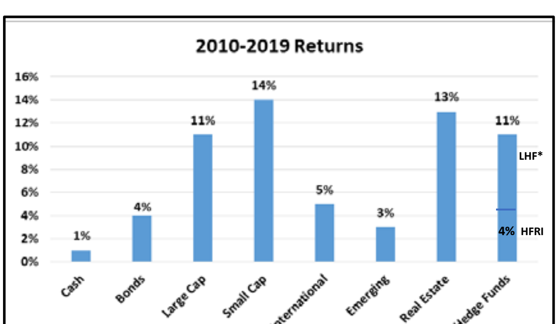
A Look Back at 2019



* 6 largest managers used by Lanier

Let's first take a brief look at 2019. After a not-so-fun 2018 where virtually all asset class returns were negative driven by a hawkish Fed, 2019 returns were a mirror image yet on steroids. Traditional asset classes of stocks and bonds returned 28% and 10% respectfully, while non-traditional classes of real estate and hedge funds returned ~27% and ~9%. Economic growth slowed but still surpassed 2%. Earnings expectations were very low and earnings growth was virtually flat in 2019. The Fed "did a 180" and ceased its professed "return to normalcy" by not only ceasing raising rates, but instead lowered rates. In addition, the Fed stopped the balance sheet shrinking process. All good for investors! As we predicted in Jan 2019, interest rates declined, earnings growth was mute and lower beginning multiples would lead to a very nice year. Voilà!

A Look Back at 2010 – 2019



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For the decade 2010-2019, returns were slightly above average – bettering most of our expectations. It will go down in history as the only decade that we did not experience a recession. We attribute the majority of the advances to former Fed chairman Ben Bernanke's unprecedented policies associated with the Fed's quantitative easings (printing money). He remains truly an economic guru of epic proportion, and we thank him for spending decades studying how to avoid another Great Depression.

A Look Forward for 2020

For 2020, we expect more muted but positive returns driven by modest profit advancements and a quiet Fed. We see very few signs of a recession and don't forget we remain in a secular bull market. Numerous indicators that we monitor are far from forecasting a bear market. GDP growth, inflation and the US Treasury 10-year all look to be 1.5% - 2.3% for the year.

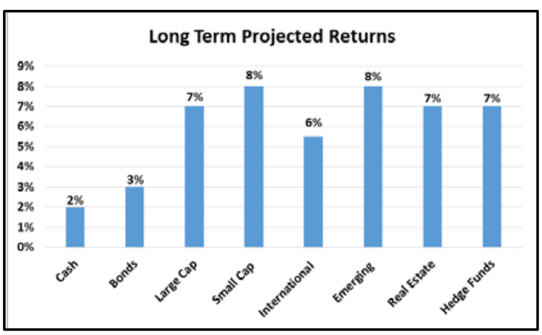
Valuations and possible political surprises could temper returns. Economic growth and increasing earnings normally beat politics.   Historically since WWI, incumbents always win if there is no recession in the president's last two years in office. However, an unlikely experiment with socialism would unquestionably change the rules of investing and more.

A Look Forward for 2020-2029

So, will we have the Roaring 20's or the Boring 20's? How about somewhere in between? Higher than average decade returns always begin with low valuation levels and solid economic policies. Markets are fairly valued to slightly expensive, and economic policies will be in flux due to deficits and social unrest in the 2020's.

Some say we could have the Turbulent Twenties, as entitlements associated with the Baby Boomer tsunami shift into high gear. The reality of the math associated with Social Security and Medicare may very well ignite further polarity amongst the left and the right and the young and the old. Social challenges are likely to head to a boiling point this decade, resulting in an overdue overhaul of traditional paradigms.

Long Range Rates of Return



We believe that investing should include looking at projected returns from the asset classes, not historic rearview mirror returns. Our 7-10 year projected annual rates of return are a conglomeration of our country's largest financial institutions, endowment funds and consulting firms.

As always, we have a strong conviction that investors utilize both the traditional asset classes of bonds and stocks as well as alternative assets including hedge funds and real assets. The result is a similar or better return while taking significantly lower levels of risk with a lower correlation to the market over a market cycle.

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Performance Update

		Total Return (%)							
						Annualized			
	Investment Vehicle	December	QTD	YTD	1-Year	3-Year	5-Year	7-Year	10-Year
TRADITIONAL ASSETS									
Cash									
Vanguard Federal Money Market Reserve		0.1%	0.4%	2.2%	2.2%	1.8%	1.2%	0.9%	0.6%
Fixed Income									
Domestic (Barclays US Agg)		-0.1%	0.2%	9.6%	9.6%	4.3%	3.2%	2.8%	3.7%
Vanguard Total Bond Market	VBMFX	-0.2%	0.0%	8.6%	8.6%	3.9%	2.9%	2.6%	3.6%
RiverNorth Doubleline	RNDLX	1.1%	1.4%	11.7%	11.7%	4.6%	4.3%	4.2%	4.8%
Eaton Vance Floating Rate	EIBLX	1.6%	1.6%	7.1%	7.1%	4.1%	4.3%	3.8%	4.7%
US Preferred Stock ETF	PFF	1.9%	1.9%	15.9%	15.9%	5.9%	4.7%	5.1%	6.4%
High Yield (Barclays US Corp HY)		2.0%	2.5%	14.9%	14.9%	5.6%	4.7%	3.8%	5.0%
Short Term High Yield	SJNK	1.9%	1.6%	9.5%	9.5%	4.8%	4.3%	3.8%	5.9%
Equities									
Domestic Large Cap (S&P 500 TR)		2.9%	8.5%	28.9%	28.9%	13.0%	9.4%	12.4%	11.2%
S&P Equal Weight	RSP	2.7%	7.5%	28.9%	28.9%	12.1%	9.4%	13.5%	13.1%
Domestic Mid Cap (S&P 400 TR)		2.8%	7.1%	26.2%	26.2%	9.3%	8.9%	12.2%	12.6%
Vanguard Mid-Cap ETF	VO	2.4%	6.9%	31.0%	31.0%	12.3%	9.3%	13.3%	13.1%
Domestic Small Cap (S&P 600 TR)		3.0%	8.2%	22.8%	22.8%	8.4%	9.4%	13.0%	13.3%
Vanguard Small-Cap ETF	VB	2.2%	8.2%	27.3%	27.3%	12.1%	9.9%	13.2%	13.4%
Developed Intl. (MSCI EAFE)		3.2%	7.8%	18.4%	18.4%	7.3%	4.3%	5.4%	4.8%
MSCI EAFE	EFA	3.0%	7.7%	21.0%	21.0%	9.3%	5.6%	5.9%	5.3%
Emerging Intl. (MSCI EM)		7.2%	11.3%	15.4%	15.4%	9.5%	4.4%	2.4%	3.1%
Vanguard FTSE Emerging Markets ETF	VWO	7.1%	11.9%	19.1%	19.1%	10.1%	4.8%	2.6%	3.3%
Real Assets									
Real Estate (FTSE NAREIT US REIT)		0.8%	0.5%	26.8%	26.8%	9.2%	7.3%	9.4%	11.9%
Mortgage Real Estate	REM	3.6%	8.0%	21.4%	21.4%	11.8%	9.1%	8.4%	8.5%
REIT ETF	VNQ	0.8%	0.6%	28.9%	28.9%	8.3%	7.2%	9.5%	12.0%
Commodities (Thomson Reuters/Jefferies CRB Index)		8.1%	11.1%	30.6%	30.6%	9.3%	-0.3%	-3.7%	-2.2%
DBC	DBC	5.9%	7.8%	11.8%	11.8%	1.2%	-2.3%	-8.3%	-3.7%
BlackRock	BCSAX	5.3%	5.8%	11.2%	11.2%	3.8%	0.6%	-2.8%	-1.6%
Gold	GLD	3.7%	2.9%	17.9%	17.9%	9.2%	4.7%	-0.5%	3.9%
DIVERSIFYING STRATEGIES									
Hedge Funds									
HFRI WCI		1.8%	3.5%	10.4%	10.4%	4.5%	3.6%	4.3%	4.1%
INFINITY*	OCEAN	0.9%	1.0%	6.1%	6.1%	4.0%	4.2%	5.9%	6.2%
Boston Partners Long/Short Equity	BPLEX	2.6%	3.9%	8.9%	8.9%	-3.1%	1.8%	3.0%	6.3%
Millennium*	MILLENN	1.4%	2.8%	9.0%	9.0%	7.2%	7.3%	8.7%	8.6%
Verition*	VERITION	1.1%	3.8%	14.0%	14.0%	8.6%	8.8%	10.9%	10.1%
Renaissance*	RENAISS	1.9%	2.7%	13.1%	13.1%	11.2%	14.0%	14.3%	15.6%
Third Point*	THIRD P	2.1%	3.5%	15.6%	15.6%	6.0%	3.9%	6.6%	9.3%
Lanier Hedge Fund*	LHF	1.4%	2.4%	9.9%	9.9%	6.1%	6.8%	8.3%	8.9%
Boston Partners Global Long/Short	BGLSX	1.5%	1.0%	4.6%	4.6%	0.7%	2.2%	3.3%	3.4%

= 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 A. Hamilton
Financial Consultant


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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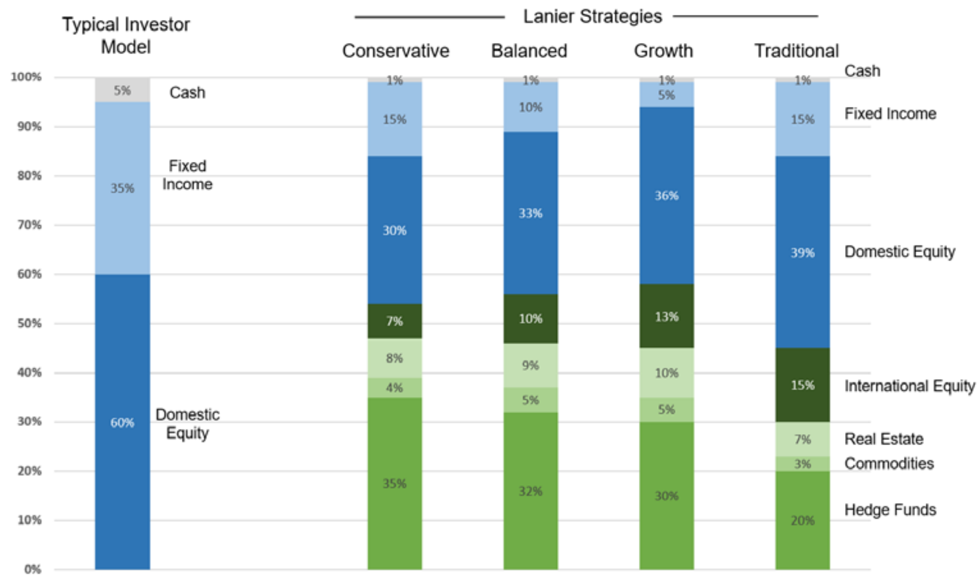
Our Approach

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

Past performance is no guarantee of future results. Investing entails risk, including possible loss of some or all principal. Historical performance results for investment indices and/or categories have been provided for general comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges. It should not be assumed that your account holdings correspond directly to any comparative indices.

Lanier Asset Management, LLC ("Lanier") is an SEC registered investment adviser located in Louisville, Kentucky. The firm's CRD number is 150888. Certain Representatives of Lanier hold Series 7, 31, 63, and 65 Securities Licenses. Certain representatives of Lanier are also Registered Representatives offering securities through APW Capital, Inc., Member FINRA/SIPC. 100 Enterprise Drive, Suite 504, Rockaway, NJ 07866 (800) 637-3211.

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