LANIER
ASSET MANAGEMENT LLC

Building Confidence and Security in Your Financial Future

Monthly Update **May 2019**

Benefits of Hedge Fund Investing

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Hedge funds originated as a vehicle to help diversify investment portfolios, manage risk and produce reliable returns over time. While the hedge funds' investor base has evolved through the years -- individuals, institutions such as pensions, universities and foundations – their core goals have remained the same.

- **Risk Management** – Hedge funds were developed, in part, to help investors manage investment risk. Their market neutral, or balanced, approach to investing helps seek out positive returns by investing in varied instruments over long- and short-term periods. Hedge funds continue to strengthen their efforts toward risk management, dedicating specialized, independent teams to the practice.
- **Portfolio Diversification** – Investors can no longer rely on simple strategies weighted heavily toward fixed income assets to produce reliable returns and meet financial obligations. Given the ten-year treasury has been stable around 2% for the last decade (historically low levels for any period), investors must look elsewhere for stable returns. Most all investors need some diversification and not invest 100% in the stock market!
- **Reliable Returns over Time** – Public and state pensions, corporate pensions as well as university and college endowments all invest in hedge funds. Almost all the top corporate pensions utilize hedge funds to provide more reliable returns. Companies such as UPS, Boeing, IBM, etc. all invest in hedge funds. Finally, all the top college and university endowments, Harvard, Yale, Stanford, and Princeton to name a few, utilize hedge funds to provide consistent returns for their schools.

Why would all these public and state retirement plans, corporate pensions and university endowments use hedge funds? True hedge funds are not designed or invested to beat the S&P 500 index over short periods of time when the markets are going straight up! Unfortunately that is frequently how the media incorrectly looks at them. Hedge funds are structured to provide more consistent returns over a full market cycle on a risk adjusted basis and more importantly, the returns have a low correlation to the stock market by design. This is the best way to obtain true portfolio diversification.

Let's look forward. We are now 10 years into a bull market. The questions you should ask are 1) Do you think the S&P 500 will outperform all the other equity indexes over the next 10 years? and 2) Do you believe fixed income will provide a safe income stream for investors going forward? I don't know the answer to these questions. If history is our guide, the answer is no. If you had all your money in the S&P 500 over the last ten years, you should be congratulated. As we all know, over 90% of returns are based on asset allocation. You may want to reconsider your asset allocation. The S&P 500 index has yielded these results over the greatest quantitative experiment in the history of our country and the lowest 10-year Treasury rates of our generation. It might be the right time to consider risk-adjusted returns going forward.

Junius V. (Trip) Beaver III, is a co-founder of Lanier Asset Management and serves as its Co-Chief Investment Officer. Trip has been a financial advisor delivering high-value investment solutions to affluent individuals since 1994. In addition to his work at Lanier, Trip donates his time and investment expertise to charitable organizations such as the Library Foundation and the Metro United Way.

Key Points From Our Investment Meeting – 5/15/19

Macro Viewpoint

- Trade talks with China broke down. Given the magnitude of the tariffs, what effect will this have on GDP going forward?
- Fed Chairman Powell believes we are now truly in a wait and see attitude relative to interest rates. With four rate hikes last year and a typical lag of 1-2 years, will the Fed react too late?
- The IMF lowered world growth rates. It says US GDP will grow by ~2.3%.

Asset Class Comments

- The 10-year treasury is now below 2.4%. Are we seeing a shift in growth expectations or simply a flight quality due to China?
- Value stocks have underperformed growth stocks over multi-year periods. Is it time to look to value?
- Use more caution until greater clarity is available.

Performance Update

		Total Return (%)							
						Annualized			
	Investment Vehicle	April	QTD	YTD	1-Year	3-Year	5-Year	7-Year	10-Year
TRADITIONAL ASSETS									
Cash									
Vanguard Reserve Prime Money Market		0.2%	0.2%	0.8%	2.3%	1.4%	0.9%	0.7%	0.5%
Fixed Income									
Domestic (Barclays US Agg)		0.0%	0.0%	3.0%	5.4%	1.8%	2.5%	2.2%	3.6%
Vanguard Total Bond Market	VBMFX	0.0%	0.0%	3.0%	5.3%	1.8%	2.4%	2.2%	3.5%
RiverNorth Doubleline	RNDLX	0.9%	0.9%	6.4%	5.2%	4.4%	3.8%	3.9%	4.8%
Eaton Vance Floating Rate	EIBLX	1.4%	1.4%	4.9%	3.7%	5.6%	3.9%	4.1%	6.7%
US Preferred Stock ETF	PFF	0.7%	0.7%	8.5%	4.7%	3.3%	4.2%	5.0%	9.9%
High Yield (Barclays US Corp HY)		1.3%	1.3%	9.5%	7.1%	6.7%	4.3%	3.5%	7.6%
Short Term High Yield	SJNK	0.9%	0.9%	6.7%	5.5%	6.8%	3.1%	4.3%	8.7%
Equities									
Domestic Large Cap (S&P 500 TR)		3.9%	3.9%	17.5%	11.2%	12.6%	9.4%	11.2%	12.9%
S&P Equal Weight	RSP	3.6%	3.6%	18.9%	10.4%	12.6%	9.8%	13.0%	15.7%
Domestic Mid Cap (S&P 400 TR)		4.0%	4.0%	19.1%	7.0%	12.3%	9.3%	11.9%	15.1%
Vanguard Mid-Cap ETF	VO	3.7%	3.7%	21.1%	10.2%	12.8%	9.8%	12.5%	15.6%
Domestic Small Cap (S&P 600 TR)		3.9%	3.9%	15.9%	4.4%	13.5%	9.8%	12.8%	15.5%
Vanguard Small-Cap ETF	VB	3.6%	3.6%	20.3%	9.0%	15.3%	10.3%	13.2%	16.0%
Developed Intl. (MSCI EAFE)		2.5%	2.5%	11.7%	-6.0%	5.6%	1.6%	5.6%	7.4%
MSCI EAFE	EFA	2.9%	2.9%	12.6%	-3.4%	7.4%	2.4%	6.2%	7.9%
Emerging Intl. (MSCI EM)		2.0%	2.0%	11.7%	-7.3%	10.0%	3.3%	2.7%	7.1%
Vanguard FTSE Emerging Markets ETF	VWO	2.1%	2.1%	12.6%	-3.7%	9.8%	3.6%	2.8%	7.0%
Real Assets									
Real Estate (FTSE NAREIT US REIT)		-0.1%	-0.1%	16.9%	17.8%	7.4%	8.4%	9.0%	14.9%
Mortgage Real Estate	REM	1.9%	1.9%	12.3%	13.2%	14.2%	8.2%	8.2%	10.0%
REIT ETF	VNQ	-0.2%	-0.2%	17.2%	19.0%	6.5%	8.1%	8.5%	15.2%
Commodities (Thomson Reuters/Jefferies CRB Index)		4.4%	4.4%	21.7%	-2.5%	9.3%	-7.4%	-5.2%	-0.5%
DBC	DBC	1.2%	1.2%	11.0%	-7.2%	3.8%	-10.0%	-6.8%	-4.0%
BlackRock	BCSAX	-0.1%	-0.1%	8.4%	-7.1%	4.4%	-4.2%	-3.7%	0.6%
Gold	GLD	-0.7%	-0.7%	0.0%	-2.7%	-0.7%	1.8%	-2.0%	3.2%
DIVERSIFYING STRATEGIES									
Hedge Funds									
HFRI WCI		1.6%	1.6%	7.6%	2.1%	5.3%	3.4%	4.2%	5.3%
INFINITY*	OCEAN	1.0%	1.0%	3.0%	2.5%	4.8%	4.9%	6.4%	7.1%
Boston Partners Long/Short Equity	BPLEX	1.7%	1.7%	5.6%	-10.9%	-1.0%	0.5%	3.4%	10.3%
QIM Tactical Aggressive*	QIM TA	-0.5%	-0.5%	0.8%	-20.8%	0.0%	4.9%	5.4%	9.9%
Millennium*	MILLENN	0.4%	0.4%	2.1%	3.2%	6.9%	7.9%	8.1%	9.0%
Verition*	VERITION	2.6%	2.6%	5.6%	4.9%	7.2%	8.4%	10.5%	11.8%
Renaissance*	RENAISS	2.0%	2.0%	6.5%	14.1%	13.0%	15.4%	13.2%	16.4%
Third Point*	THIRD P	1.8%	1.8%	10.4%	-2.5%	6.4%	3.5%	7.7%	12.1%
Lanier Hedge Fund*	LHF	1.4%	1.4%	4.6%	3.2%	6.5%	7.1%	8.3%	10.2%
Boston Partners Global Long/Short	BGLSX	0.8%	0.8%	2.7%	-4.6%	1.2%	1.8%	3.3%	4.7%

= Benchmarks
= Lanier Selections

* For Accredited Investors

Our Team

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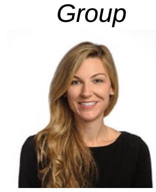
Deidre M. Durbin
Chief Compliance Officer

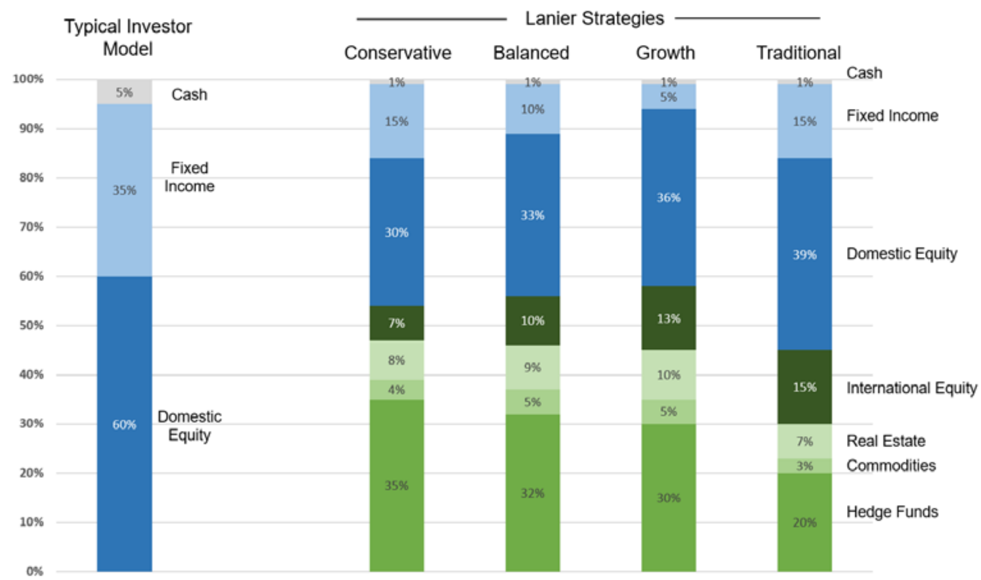


Stephanie E. Milby
Investment Associate

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