LANIER
ASSET MANAGEMENT LLC

Building Confidence and Security in Your Financial Future

Monthly Update **March 2019**

Capitalism vs. Socialism: The Debate is Alive and Well

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Having been in the investment industry for more decades than I'd like to admit, there is one character attribute that has always been essential for me – to be apolitical. Some eras it was so easy, and others a bit more challenging. So let's look at some facts.

The 25+ years of supply side economies subscribed to by Reagan, Bush 39, Clinton, and Bush 41 were a palatable era, as GDP growth mostly was a very solid 3%+. Our quality of life was enhanced, the Fed was simply phenomenal and the markets performed better than historic norms. This is called free market capitalism. Incentives and profits create prosperity. Free market capitalism is best for the common man. GDP growth rates are 3-4% and growing the pie is number one. Indeed there are recessions and market corrections, but that is just part of the capitalistic journey.

But some things have changed! The Great Recession was the event waited for most by non-subscribers to the policies that created truly excellent economic times. "Never let a crisis go to waste." In America, there has been a growing liking to a new type of economic approach called populism, democratic socialism, and more. This government format prefers that the population is more dependent on government and less on oneself and promotes all get a lot "free." Vilify the rich, regulate much, and the desire for profit is an evil motivator. The Left's largest fear is the success of capitalism, not its failure. GDP growth rates are 1-2% and redistribution of the pie is number one.

So the capitalism vs. socialism debate is indeed alive – something we have not seen in the post WWII era! The Obama era versus the Trump era vividly illustrates the dichotomy of beliefs regarding how to "run the railroad." The media, as well as the majority of universities, are dead set on the merits of democratic socialism. So we have one request – please educate yourself!

I love to read books and articles about economics, and still profess about economic history at the local university. One should at least read the principles and beliefs of these polar opposite people who influence our lives! Reading Adam Smith's *Wealth of Nations* from 1776 to John Maynard Keynes' *The General Theory of Employment, Interest and Money* from 1936 are essential readings. From the capitalist's side, recent readings are Andrew Puzder's *The Capitalist Comeback* and Art Laffer's *Trumponomics*. From the progressive's side, read Bernie Sanders' *Our Revolution* and *The Conscience of a Liberal* by Paul Krugman. Read up on Modern Monetary Theory (MMT) – where we theoretically pay for everything by printing money. Educate oneself on the plight of Venezuela, Zimbabwe and Argentina. All help one see just where everybody is coming from and how on earth they can present their case with a straight face.

All investments perform erratically over the short run but fairly steadily over the long run. The only assumption when investing is that the economy is built on sound economic policies. There are numerous examples of government types around the world, and the results are quite different regarding quality of life, economic freedom and rates of return. So join us in our perpetual learning process about capitalism versus socialism.

Carl W. Hafele, CFA, CPA, is Co-Chief Investment Officer and Principal at Lanier Asset Management. He is also an instructor in Finance and Economics for the MBA program at Bellarmine University.

Key Points From Our Investment Meeting – 3/13/19

Macro Viewpoint

- Mario Draghi (president of the ECB) has decided to refrain from raising rates. He is changing course to a more accommodative monetary policy due to a slowing in the European Union and concerns about the emerging markets.
- 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.
- Earnings in the second half of 2019 are now in question.

Asset Class Comments

- After a sharp rebound of US equity markets in the first two months of 2019, be careful where you look for value.
- Are rates on the ten year German bond (~5 bps) a precursor of slower things to come?
- Virtually all asset classes have rebounded in a solid fashion after a brutal 4th quarter. Stay the course!

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		0.2%	0.4%	0.4%	2.2%	1.3%	0.8%	0.6%	0.5%
Fixed Income									
Domestic (Barclays US Agg)		-0.1%	1.0%	1.0%	3.2%	1.6%	2.2%	2.0%	3.6%
Vanguard Total Bond Market	VBMFX	-0.1%	0.9%	0.9%	3.0%	1.6%	2.1%	2.0%	3.5%
RiverNorth Doubleline	RNDLX	0.9%	4.4%	4.4%	3.8%	5.1%	3.7%	3.7%	4.8%
Eaton Vance Floating Rate	EIBLX	1.3%	3.6%	3.6%	3.3%	7.1%	3.6%	4.1%	7.4%
US Preferred Stock ETF	PFF	0.6%	6.3%	6.3%	2.3%	3.7%	4.5%	4.8%	13.6%
High Yield (Barclays US Corp HY)		1.4%	6.8%	6.8%	4.3%	8.1%	3.9%	3.2%	8.9%
Short Term High Yield	SJNK	1.0%	4.9%	4.9%	4.3%	8.3%	2.9%	4.2%	10.1%
Equities									
Domestic Large Cap (S&P 500 TR)		3.0%	11.1%	11.1%	2.6%	13.0%	8.4%	10.7%	14.2%
S&P Equal Weight	RSP	3.7%	13.8%	13.8%	5.1%	14.3%	9.1%	12.5%	18.3%
Domestic Mid Cap (S&P 400 TR)		4.2%	15.1%	15.1%	4.1%	14.5%	8.3%	11.7%	17.3%
Vanguard Mid-Cap ETF	VO	4.3%	15.2%	15.2%	4.5%	14.0%	8.5%	11.9%	17.5%
Domestic Small Cap (S&P 600 TR)		4.4%	15.5%	15.5%	7.2%	16.6%	9.2%	13.0%	18.3%
Vanguard Small-Cap ETF	VB	4.9%	17.1%	17.1%	7.7%	18.1%	9.1%	13.0%	18.7%
Developed Intl. (MSCI EAFE)		2.3%	9.0%	9.0%	-8.7%	8.0%	1.3%	4.9%	9.1%
MSCI EAFE	EFA	2.5%	9.3%	9.3%	-5.6%	9.4%	2.0%	5.5%	9.6%
Emerging Intl. (MSCI EM)		0.1%	8.8%	8.8%	-12.1%	13.9%	3.5%	1.6%	10.0%
Vanguard FTSE Emerging Markets ETF	VWO	-0.4%	9.2%	9.2%	-9.4%	13.5%	4.1%	1.7%	9.7%
Real Assets									
Real Estate (FTSE NAREIT US REIT)		0.5%	12.0%	12.0%	17.8%	8.9%	8.1%	9.4%	17.8%
Mortgage Real Estate	REM	-0.9%	8.2%	8.2%	16.5%	16.1%	7.8%	8.3%	10.6%
REIT ETF	VNQ	0.7%	12.6%	12.6%	19.7%	7.8%	8.0%	9.1%	18.3%
Commodities (Thomson Reuters/Jefferies CRB Index)		5.7%	16.3%	16.3%	3.2%	14.4%	-7.8%	-6.5%	-0.5%
DBC	DBC	2.8%	10.2%	10.2%	-2.6%	8.2%	-10.2%	-8.7%	-2.7%
BlackRock	BCSAX	1.3%	8.4%	8.4%	-5.0%	9.8%	-3.7%	-4.4%	1.1%
Gold	GLD	-0.6%	2.3%	2.3%	-0.8%	1.5%	1.7%	-2.6%	4.1%
DIVERSIFYING STRATEGIES									
Hedge Funds									
HFRI WCI		1.4%	4.9%	4.9%	0.9%	6.0%	3.1%	3.9%	5.7%
INFINITY*	OCEAN	0.0%	1.4%	1.4%	0.9%	4.4%	4.5%	6.3%	7.0%
Boston Partners Long/Short Equity	BPLEX	-0.8%	4.0%	4.0%	-12.3%	1.0%	2.5%	3.4%	13.4%
QIM Tactical Aggressive*	QIM TA	-3.4%	-2.3%	-2.3%	-27.0%	3.8%	2.6%	4.1%	10.2%
Millennium*	MILLENN	0.4%	1.6%	1.6%	3.2%	6.6%	7.1%	8.0%	9.0%
Verition*	VERITION	0.8%	2.9%	2.9%	4.2%	6.8%	7.2%	10.4%	11.6%
Renaissance*	RENAISS	0.5%	3.6%	3.6%	12.5%	11.2%	15.7%	13.7%	15.0%
Third Point*	THIRD P	2.6%	5.5%	5.5%	-7.5%	5.9%	2.5%	7.2%	11.2%
Lanier Hedge Fund*	LHF	0.5%	2.6%	2.6%	1.6%	6.2%	6.7%	8.2%	10.1%
Boston Partners Global Long/Short	BGLSX	-0.7%	2.5%	2.5%	-6.9%	2.2%	1.9%	3.2%	5.2%
Managed Futures									
Barclays CTA Index		0.0%	-2.0%	-2.0%	2.6%	1.3%	2.8%	1.4%	1.5%
WINTON*	WINTON	0.4%	-1.5%	-1.5%	-5.2%	-5.1%	-1.3%	-1.8%	-1.4%
QIM*	QIM	-4.6%	-6.3%	-6.3%	-9.2%	-4.3%	-1.6%	-0.5%	-1.8%
AQR Managed Futures Strategy	AQMNX	-0.3%	-2.5%	-2.5%	-9.4%	-8.5%	-1.5%	-0.1%	0.0%
Natixis ASG Managed Futures Strategy	ASFYX	-0.8%	-3.6%	-3.6%	-12.6%	-7.6%	0.9%	0.4%	1.2%

= Benchmarks
= Lanier Selections

* For Accredited Investors

Our Team

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Chief Compliance Officer

Stephanie E. Milby
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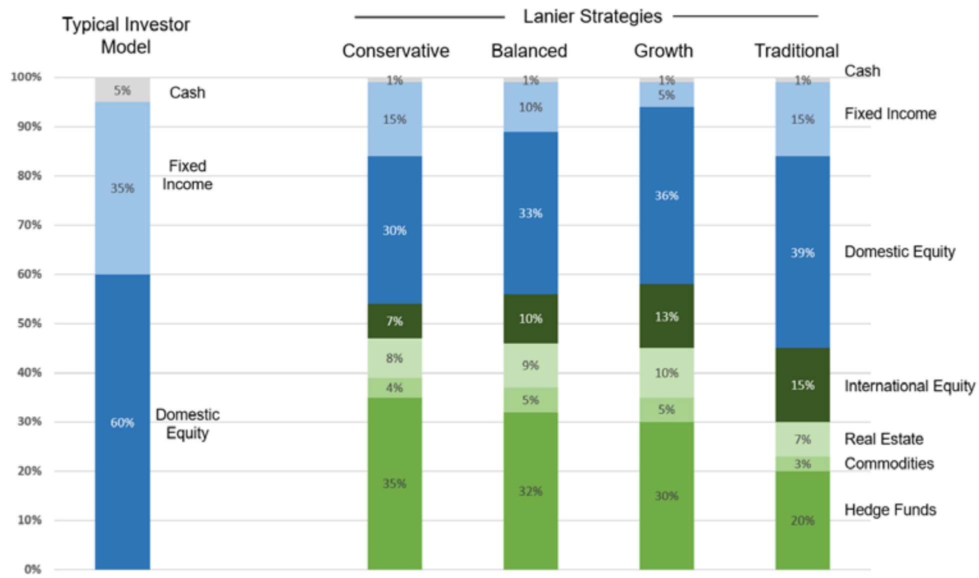
Building Confidence and Security in Your Financial Future

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