

July 17, 2019

***"Every company's greatest assets are its customers, because without customers there is no company."
– Michael LeBoeuf***

Dear Clients and Friends,

Now that we have reached the midpoint of 2019, we thought we would do something slightly different with this client letter. We would like to take this opportunity to update you on the state of our firm and our growth over the last five years. Additionally, we will briefly review the markets and our view of the current investment climate and conclude with some comments regarding our future communications schedule.

When we decided to start Salvus Wealth Management in the summer of 2014, we identified a few areas that we were certain should be our primary focus:

- We wanted to be our client's trusted advisor
- We wanted to be responsive and proactive in giving conflict-free advice and counsel
- We wanted to have the ability to oversee our client's entire financial holdings
- We wanted to customize each client portfolio to meet their specific goals and needs
- We wanted to provide access to boutique investment managers who are experts in their own niche of the markets
- We wanted to provide our clients with a technology solution that would allow them and us the ability to monitor their entire financial life in real time.

After five years of operations, we feel very confident that we indeed chose the right areas to focus upon. We believe that our clients have validated this, as they have entrusted us with more and more of their precious capital while allowing us to assist them with the management and oversight of their finances. For this, we are honored and grateful for their trust.

Salvus Wealth Management is an independent Registered Investment Advisor that has no corporate affiliation and is 100% owned by its partners. We serve as a fiduciary for our clients and, therefore, must put their interests ahead of ours at all times. We do not earn commissions and sell no products, while instead charging a fee for the services we provide. Our four licensed investment advisors operate out of offices in New Jersey and Florida and we will soon have two more advisors who are studying to complete their licensing. We now serve approximately 110 clients for whom we are directly managing over \$150 million of assets and we also assist them with the supervision of additional \$100 million of financial assets.

We do not take this responsibility lightly and we have always tried to treat our clients the way that we would expect to be treated ourselves. As noted author, Michael LeBoeuf, stated at the top of this letter, without our clients, we have no firm. We believe that the growth of our firm is also a benefit that accrues to our clients. Growth of the assets that we manage allows us greater access to sophisticated investment managers, while positioning us to better negotiate terms with them and other vendors. One final note on our growth: Please know that we are managing this very carefully, as we will always maintain our boutique size and high level of service and communication with our clients. We have no grand plans of becoming a mega-firm and cherish our size and intimate relationship with our clients.

Now briefly turning towards the markets and economy, we see a continuation and perhaps an acceleration of the long running bull market. After the markets took a pause during the month of May, June saw its best

monthly return of 6.9% since 1955, bringing the return through June 30th to 18.5%. This return was the best six month start of a year in the last 20 years. The strength of the markets were evident as only the energy sector saw a negative return during the quarter, as 11 of the 12 S&P 500 sectors were positive.

During the second quarter, GDP increased at a solid 3.1%, job creation was steady at a monthly rate of 151,000 and unemployment stood at a 50 year low of 3.6%. Along with the strong economic numbers, the Federal Reserve signaled that interest rates would be held steady or potentially decreased, as these statements certainly added some of the fuel to the market returns in June.

Of course we cannot discuss the economy without pointing to some of the current negative issues such as China's weak growth, the stinging effect of tariffs and the usual domestic and international political tensions. Trade wars and tariffs have obviously impacted China and will perhaps continue to push them back to the negotiation table to hammer out a trade deal with the United States. As tariffs have impacted their desired foreign targets, there is the ever present risk that they are hurting U.S. manufacturers mainly through increased raw material costs. It will be interesting to monitor this as we watch companies report their quarterly results over the next several weeks. Brexit, French protests and the usual bad actors such as Iran and Venezuela continue adding to global uncertainty going forward.

One final thought on the current state of the markets: We remain optimistic about future returns as most of the outsized returns that we have seen this year have come from large growth companies in the technology sector. These companies dominate the market indices that are investable through many passive index funds that now dominate trading in the markets today. Interestingly, JP Morgan has recently concluded a study showing that passive investments such as index funds and many exchange traded funds comprise over 60% of equity assets with another 20% belonging to "quantitative trading funds". This effectively means that over 80% of the equity markets trade on auto-pilot and indiscriminately buy and sell solely based on market signals and momentum. This as opposed to a human being making fact-based investment decisions.

This knowledge gives us great conviction that a more disciplined and thoughtful approach to investing is generally ignored by the markets and provides an advantage to those who stick to their plan. Our managers buy and sell based on the fundamentals of the specific business and not simply when the markets go up or down. They are also more than happy to hold cash when stock prices are too high and happy to sell when stocks have reached their full potential. With this discipline, most of our boutique managers have still managed mid-teen returns through the first half of the year along with a few managers seeing returns north of 20% year to date.

Finally, we would like to let you know that we intend to write our client letter to you going forward on a biannual basis. One letter at mid-year and one at the end of the year. In the interim, we hope you are all receiving the Salvus "Monthly Markets Insights" via email each month. If you are not receiving this, please let us know and we will make sure that you are added to the monthly distribution. You should also be receiving other timely articles and videos via email from us as well. Again, please let us know if you are not receiving these communications. For any updates please call or email Sonja: (904) 580-3451/selia@salvuswealth.com

As always, we thank you for your continued support and confidence, and we hope that you and your family have a safe and enjoyable remainder of the summer. Meanwhile, please feel free to contact us anytime with questions or comments.

Best regards,

Bob

Robert W. Joel, CFP
Chief Investment Officer

Chuck

Charles T. Woolston, CPA
Chief Executive Officer

