GPM
GROWTH INVESTORS, INC.

T 248.865.0518 | F 248.865.0662
30500 Northwestern Hwy., Suite 313
Farmington Hills, MI 48334
gpmgrowth.com

Third Quarter (Q3) 2019 Review *October 2, 2019*

Stocks stacked a solid Q3 gain on top of a big first-half rebound. The S&P 500 Stock ETF (SPY) returned +1.9% in Q3 and +20.4% YTD. Measured from a year ago, the S&P is ahead 4.1% after recovering from a 14% decline in Q4-18. U.S. stocks continued to outperform most global markets. While some rotation to cyclical sectors occurred in Q3, investors mostly favored companies with good revenue growth visibility. Large-cap stocks continued to outpace smaller companies.

Fixed income markets were also broadly positive in Q3, benefiting GPM balanced portfolios with solid gains in high quality and high yield corporate bonds and Treasuries. The bond rally has been fueled by slower global economic expansion and dovish central bank policy including the U.S. Fed. The 10-Year Treasury yield tumbled to 1.70% at quarter-end from 2.00% three months ago.

Economists have steadily reduced global growth expectations, due in large part to continuing trade battles, primarily U.S. and China. The OECD projects 2.9% and 3.0% expansion in '19 and '20, respectively, with both year's growth rates lowered in September. The main culprit is slowing global trade and especially its impact on the manufacturing sector, which directly accounts for about 12% of U.S. GDP. Equity markets expect trade issues to be resolved positively. Professional forecasters see U.S. Real GDP expanding at a slightly reduced but still decent annual rate of 1.8% to 2.0% over the next three quarters. It's not a perfect economy, but OK. Dysfunctional U.S. politics remains troubling with the Dem's impeachment inquiry thrown in the mix at quarter-end. Stock investors definitely do not like the difficult to compartmentalize left-led socialism push. While Trump's leadership is questioned, some of his administration's policies have broad, quiet support further away from the left.

S&P 500 Stock Index

10 Year Treasury Yield: 1.68% from 2.00%

10 Year Treasury Price

Corporate Bonds

High-Yield Bonds

U.S. Real GDP

GPM has been investing for clients since 1993. We manage money and advise on critical financial planning and investing decisions. We listen and learn. Our advice is holistic and tailored to you and your peace of mind. We treat you, your family and other advisors with respect. We are easy to work with, accessible and responsive. Our investment strategies are centered around two core competencies - researching high quality companies and actively managing portfolios built with the individual stocks of those companies to deliver growth and income for our clients. Our investment process is disciplined and fundamentally based with a healthy respect for risk. GPM is employee owned and team members invest in our model securities alongside our clients.

Markets Summary

Reference Index Fund	Income Yield %	% Below 1 yr High	Performance for the Period: Quarter	YTD -19	2018	2017	Average Annual Performance: 3 Yrs	5 Yrs	10 Yrs	15 Yrs
Short-Term Treasury Bond	2.5	0.5	0.6	3.2	1.4	0.4	1.4	1.3	1.3	2.3
Intermediate-Term Treasury Bond	2.4	1.2	1.6	6.9	1.0	1.6	1.9	2.7	3.2	4.0
Intermediate-Term Investment Grade Bond	3.2	1.1	1.9	9.8	(0.5)	4.3	3.4	4.0	5.2	5.0
High-Yield Bond	5.6	0.3	1.9	13.1	(2.9)	7.1	5.8	5.5	7.5	6.4
S&P 500 Stock ETF (SPY)	1.9	1.9	1.8	20.4	(4.6)	21.7	13.3	10.7	13.1	8.9
Small-Cap Stock	1.3	4.3	(1.5)	17.7	(9.4)	16.1	9.5	8.5	12.2	9.3
Total International Stock	3.0	4.6	(1.6)	11.4	(14.4)	27.4	6.0	3.1	4.5	5.5

Except for SPY, data is for Vanguard funds. All returns include reinvested income. Income (dividend) yield shown is SEC format.

Stock Portfolio Insight

Sector Allocation Breakdown

Technology:	33.6%
Industrials:	28.9%
Healthcare:	15.5%
Financial Services:	9.5%
Consumer Defensive:	6.5%
Consumer Cyclical:	6.0%
	100%

# of Cos. that Raised Dividend

Third Quarter: 5
Year-to-date 2019: 17
***September**: MSFT +11%*

Portfolio Company Averages

Dividend yield:	1.62%
Market Cap:	$194 bil
ROE past 12 mos:	21.2%
ROE past 5 years:	22.5%
P/E 5-year average:	20.6X
P/E trailing 12 months:	20.9X
P/E forward 12 months est:	18.7X

Data is approximate @ quarter-end.

Separately Managed Accounts in Brief

Our long-term growth accounts are normally invested 100% in stocks. Balanced accounts take a more conservative approach and hold stocks and bonds. Growth and balanced accounts normally hold the same stocks.

GPM stock portfolios continued to perform well in Q3 and YTD.
Our strategy is to be fully invested nearly all of the time. We focus on U.S. based industry leaders that compete and win around the world - companies with track records of delivering rewarding long-term growth in sales, earnings, cash flow, dividends, and ultimately stock prices. We now hold 28 stocks with an average dividend yield of 1.7%. Three GPM stocks pay no dividend. So far this year, 17 of our companies raised their cash dividend by 5% to 26%. As investors along side our clients we like the resulting increase in overall portfolio income.

During the quarter, we sold out of recently acquired A.O. Smith (AOS) and booked a short-term loss. Shortly after our initial purchase of shares, AOS reported alarmingly disappointing results and further deterioration in their substantial China business. We lost confidence in their business visibility. As usual, we selectively increased the size of multiple core positions across accounts. New money deposited by clients was deployed opportunistically.

Balanced accounts continued to perform very well.
Results were paced by broad stock gains and all bond components contributed positively, led by corporate and high-yield bonds. We believe the Fed is will remain dovish, leaning lower until global economic data substantially reaccelerates.

As always, thank you for allowing GPM to serve as your investment manager and advisor. Do not hesitate to contact us to discuss your portfolio and other financial and retirement planning matters. If it has been more than three years since we last updated your retirement planning projections, we should do so soon. Please call to discuss what we need.

Sincerely, the *GPM Team*