SEELEY
CAPITAL MANAGEMENT

FINANCIAL STRATEGIES FOR SUCCESS

QUARTERLY OVERVIEW

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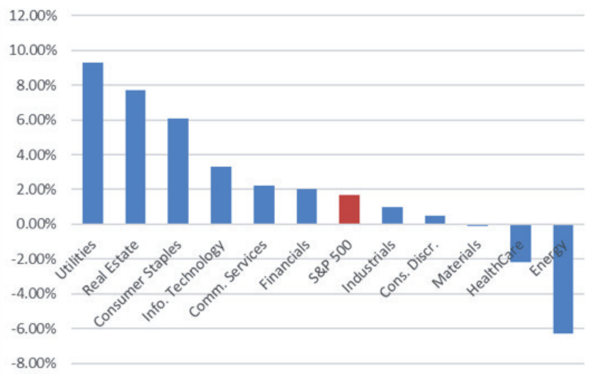
Based on the relatively mundane performance of U.S. stocks during the third quarter, one might be forgiven for thinking that not much went on between July and September. A quick scan of the headlines, however, reveals a multitude of crosscurrents. Geopolitics has kept journalists busy discussing the ongoing "trade war" between the U.S. and China. Throw in the bombing of Saudi Arabia's biggest oil processing facility and news that the House of Representatives has started the ball rolling on potential impeachment proceedings and there's plenty to talk about. Beneath it all, though, we think that the number-one issue for the market has been and will continue to be where the economy is headed.

The record-setting U.S. expansion that began in 2009 continues, though the economy has clearly slowed from the stimulus-driven level of 2.9% seen during 2018. At the same time, our work suggests that policymakers may have fewer tools at their disposal to combat slowing growth. For now, our base case does not include a U.S. recession in the near term. We do think the central tendency is for slower growth and a more challenging backdrop for profits. We see low interest rates as the new normal and believe the increased uncertainty could lead to higher volatility.

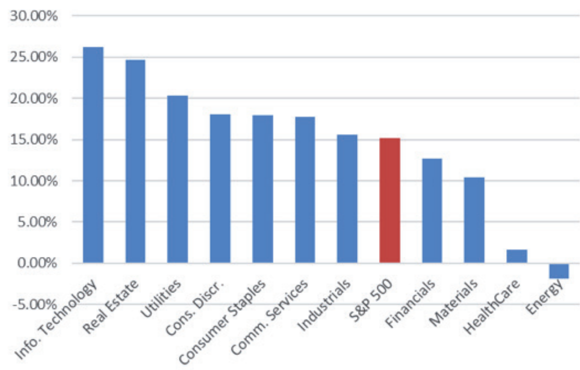
For equities, the third quarter started strong, with the market reaching record highs in July. However, the market suffered a mid-quarter swoon in August. The malaise proved short-lived as investors continue to pin their hopes on a quick resolution to trade tensions and the Federal Reserve's ability to reignite growth through lower interest rates. To us, the attention given to these issues is misdirected; instead, we believe investors should focus on the late-cycle issues of slowing growth, peaking profit margins and a more challenging profit backdrop.

For the quarter, Russell 3000, a broad-based US index, posted gains of 1.16%, leaving the index up more 20.09% for the year on a total return basis. Larger stocks outperformed smaller ones during the quarter while "growth-oriented" stocks outperformed value during the quarter. International equities underperformed during the period, with the MSCI EAFE sliding 1.07% for the three-month period ending September 30th. Emerging markets also underperformed, dropping 4.17%. From a sector perspective, our two favored tactical overweights – utilities and real estate – posted the strongest returns during the quarter (and are among the top three on a year-to-date basis).

S&P 500 THIRD QUARTER SECTOR PERFORMANCE



S&P 500 YEAR TO DATE SECTOR PERFORMANCE



Source: S&P and yale.edu

Fixed income assets posted strong returns during the quarter as well, with the Bloomberg Barclays US Aggregate bond index rising another 2.3%; this leaves the index up more than 8.5% for the year. The moves in the bond market over the past year are striking. Over the past 12 months, investors have seen the yield plummet from 3.22% to 1.55%. This has helped drive bond proxies like utilities and real estate funds higher.

HERE AT HOME

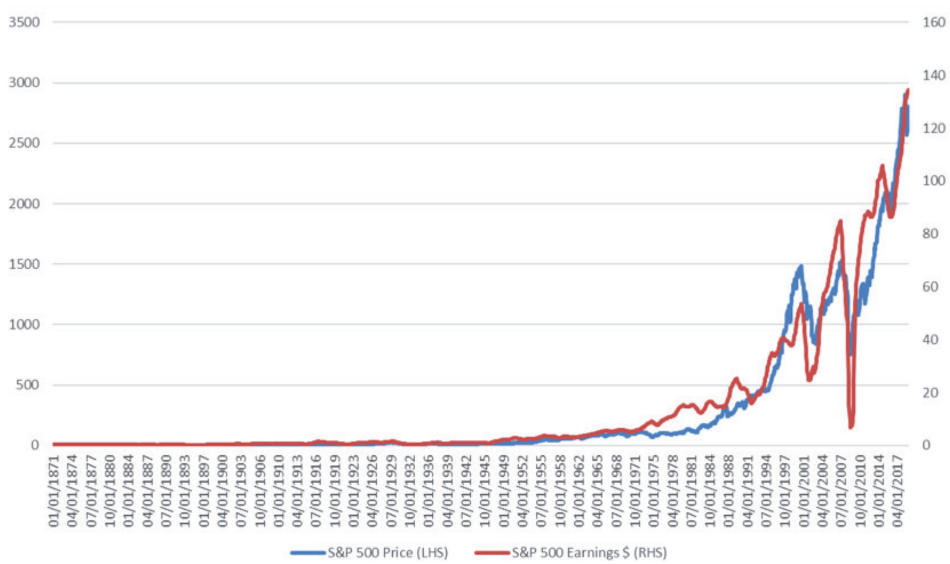
THE ECONOMY: FOCUS ON THE CONSUMER

The U.S. consumer has long been the engine of growth in the United States. Personal consumption represents over two-thirds of overall gross domestic product. As such, we closely watch spending, saving and borrowing patterns for this portion of the economy and believe that the consumer will likely determine the path of the economy as a whole. For now, the consumer has been able to shield the U.S. from the pronounced slowdown seen elsewhere around the world. Our checklist shows that the consumer remains well positioned, with consumer confidence, credit availability, unemployment, and wages all providing some comfort. Global trade tensions could put a significant dent in consumer sentiment, particularly as the next tranche of tariffs stands to include many consumer goods. We also note that during the past two downturns, consumer confidence and asset prices remained strong well after other parts of the economy began to slow meaningfully. That suggests that one should not be overly comforted by the strong current consumer data. Most of our indicators still point to positive growth for the economy as whole, notwithstanding trade war escalation or some other exogenous event. We also see the potential for accelerating inflation.

EARNINGS & VALUATION

Since the financial crisis, many market prognosticators have shouted about the coming profit recession, dangerously high valuations and stubbornly low growth. And more than a decade later, S&P 500 operating earnings have nearly tripled from the 2009 lows. Similar calls for profit margin compression associated with wage gains have thus far proven false. Keeping a watchful eye on the direction of earnings is critically important, as the market tends to follow the path of earnings over time. Using data compiled by Yale professor Robert Shiller going back to 1871, there is a nearly perfect correlation (0.97 out of 1) between earnings and stock prices.

EARNINGS DRIVE THE MARKET (S&P 500 VS EARNINGS 1871 TO PRESENT)



Source: S&P and yale.edu

BEYOND OUR SHORES

Thus far, the US has outperformed most other economies around the world since 2018. Still, it is exposed to events beyond our borders, and the impact of slower global growth will likely be more pronounced than in prior cycles. While the Emerging Market issues from the late 1990s did not put a dent in the US business cycle, the slowdown in China and other developing economies in 2015 clearly weighed on the US, pushing growth and inflation lower. In this context of heightened linkages and bigger counterparties, it should be noted that the International Monetary Fund (IMF) has again lowered its 2019 outlook to just over 3% growth—the lowest since the financial crisis.

POSITIONING -- STAY THE COURSE, BUT DON'T STICK YOUR NECK OUT

The strong gains in the market over the past decade have emboldened investors, leading us to think that complacency may become a growing issue. As we have stated in the past, one could be forgiven for thinking that things are pretty good right now. However, we have seen how quickly sentiment and conditions can change. One year ago, our favored macroeconomic research provider got quite bearish on the market—when most prognosticators were advocating clear skies and smooth sailing. The provider's recommendation to sell what had been working and move into "boring" assets like government bonds and bond proxies turned out to be a prescient move. We have adopted that thinking in our allocations, which has helped reduce volatility without sacrificing too much performance. For the time being, we are keeping our tactical overweights steady, though we remain data dependent and may begin to see new opportunities following third quarter earnings season.

POTENTIAL POSITIVES FOR THE MARKET

- Domestic economic growth remains positive
- Corporate profits and profit margins remain near record highs
- Unemployment rate in the U.S. stands at post-war lows
- Household net worth is at a record high for the U.S., boosted by stock market gains and rising house prices
- Interest rates remain low around the world
- Corporate default rates are quite low
- The impact of tariffs has yet to meaningfully dampen growth in the United States

POTENTIAL NEGATIVES FOR THE MARKET

- The economy continues to decelerate
- It may be difficult to add workers without significant risk to profit margins
- Given structural factors, further profit growth may be difficult to achieve
- Household net worth as a percentage of GDP suggests that asset valuations are stretched
- Low interest rates are a function of demographic and growth headwinds
- Overall corporate debt levels stand at historic highs
- Tariffs have created uncertainty for corporate decision makers and it has shown up in recent industrial data

THINGS WE'VE LEARNED ALONG THE WAY.

Over the past two decades, we have seen our share of good times and bad as investors. We have experienced terrifying bear markets, euphoric bull markets, and everything in between. Throughout it all, we have tried to be careful to learn from these experiences. As part of this learning process, we have accumulated some valuable lessons – or rules of thumb – that can help investors negotiate difficult periods and continue on their path to financial success.

RULES OF THUMB ARE NO PANACEA

Humans tend to give things that have happened in the recent past more importance than the longer-term data would support.

Humans have long searched for ways to be more efficient in their lives. These "tips-for-good-living," as my great-grandmother used to call them, have in recent years been rebranded "life-hacks," by the human optimizers in Silicon Valley. In psychology, these mental short-cuts are called "heuristics" and were designed to make rapid sense of potentially damaging situations for the earliest humans. See a saber-toothed tiger? Your brain says, "Run!" In modern times, however, these heuristics can hijack the decision-making process, which can lead to sub-optimal outcomes. This manifests in numerous ways. We can see it in the data showing that humans tend to give things that have happened in the recent past more importance than the longer-term data would support. There is also the phenomenon that causes people to fear certain things more than they should due to sensational headlines and other factors. Most of us can admit to being more afraid of sharks (4 fatalities globally out of 7 billion people in 2018) than ladders (300 deaths last year in the U.S. alone). These mental rules of thumb can wreak havoc on one's investment returns, too. Many investors–still reeling from the financial crisis–spent far too long watching the market climb a wall of worry over the past 10 years because they extrapolated the recent past into the future.

HAVE A PROCESS IN PLACE–AND STICK TO IT!

A disciplined and repeatable process can help ensure you meet your long-term goals.

Famed investor Warren Buffett coined the phrase, "Investing is easy, but it's not simple." We couldn't agree more. Anyone who promises the world with a hot stock tip or a "system" that beats the market is likely making more money from selling you their scheme than on any actual returns they achieve in the market. That said, having a disciplined and repeatable process in place can help ensure that you meet your long-term goals. Our experience tells us that simple is good. The easier it is to stick to it, the more likely you are to meet your goals. And the truth is, the process is less important (within reason) than the ability to stick to it over time.

TIME IN THE MARKET; NOT MARKET TIMING

Investing in individual stocks can be quite unrewarding if you try to cherry pick individual winners.

On CNBC and the internet, pundits are often talking about their stock of the day or an interesting theme. It's about the next trade. This approach to investing trading fails all but a tiny cohort of market participants over time. As with gambling, the house always wins. Investing in individual stocks can be quite unrewarding if you try to cherry pick individual winners. Indeed, we cite a 25-year study done by Longboard Asset Management which looked at 3,000 stocks (Russell 3,000) from 1983 to 2007 showed that the odds are against you for picking winning stocks. The study showed that:

- 18.5% lost at least 75% of their value
- 39% of the stocks lost money during the period
- 64% of the stocks underperformed the Russell 3000
- Only 25% of the stocks were responsible for all the market's gains

The same goes for buy and sell decisions for diversified portfolios. Investors who missed the 10 best days in the market would have missed out on half of the market's total return, according to data compiled by Putnam Investments. If an investor put $10,000 in the S&P 500 at the end of 2013 and held it through the end of last year, they would have $30,711. If they had missed the 10 best days, however, they would have ended up with $15,481.

GOOD STORIES DON'T ALWAYS MAKE FOR GOOD INVESTMENTS

Humans get emotionally attached to things, which is why a well-spun narrative can overpower the facts.

Everyone likes a good story. For some, the narrative being told is more important than the details. Humans get emotionally attached to things, which is why a well-spun narrative can overpower the facts. We can see it in politics, the economy, and other aspects of our lives. For investors, a good narrative can make complex issues more digestible (and investable). Chris and I have a friend who is the CEO of a successful investment fund. This CEO gets invited to lots of investment "idea dinners," where everyone is expected to pitch a new stock idea. After two decades of attending these dinners, he recently remarked that there was virtually no relationship between the best pitches and the best stock price performance over the next year.

THINGS WE'VE LEARNED ALONG THE WAY.

DON'T JUDGE A BOOK BY ITS COVER

We have built up a healthy level of skepticism over the years and learned that the devil is in the details.

Investors have never had more financial options at their fingertips. Financial innovation has allowed all sorts of arcane strategies to be packaged into easily purchased investment vehicles like ETFs. One area that always seems to be popular is the investment theme—groups as diverse as clean water, legal marijuana, crypto, floating rate funds, artificial intelligence, and infrastructure. Many of these themes are founded on the legitimate premise that demand in this area of the economy is on the rise. However, we have built up a healthy level of skepticism over the years and learned that the devil is in the details. Many of these investment products that promise exposure to a particular theme are filled with companies that make the bulk of their money from a different business line—that company may be a big deal in a burgeoning field but it often makes up only a tiny portion of their overall business. In other cases, an investment may promise exposure to a certain theme (like rising interest rates); in practice, however, the underlying credit quality of the securities may be far lower than some investors may want.

INVESTING ISN'T A POPULARITY CONTEST

It is always tempting to want to jump in and be a part of a phenomenon, but it does not usually end well, particularly if you aren't early.

We have seen many trends come and go within investing. There always seems to be someone promulgating some new innovation that is sure to make investors millions. Sometimes these new things fade away without much fanfare. Other times, though, they continue to grow, taking on their own momentum and attracting new participants along the way. These are what turn into bubbles. And there are plenty of people—usually the earliest investors or the luckiest—who do make outsized returns. For most of the rest of us, however, we are usually late to the party and risk losing much of our investment. Over the past two decades, we have seen several notable macro bubbles (Technology in '99 and Housing in '07), along with other, smaller ones (3D printing, cryptocurrencies, marijuana stocks). It is always tempting to want to jump in and be a part of a phenomenon, but it does not usually end well.

CHRIS SEELEY

Christopher J. Seeley founded Seeley Capital Management in 2004 with a single purpose – to help clients meet their immediate and long-term financial goals by providing an unparalleled level of service, advice and accessibility. By creating a boutique financial services firm, built on the foundation of Bank of New York's Pershing platform, he has been able to maximize efficiency and flexibility without sacrificing resources and capabilities.

For nearly 20 years, Chris has helped clients protect and grow their assets, secure their legacies and address the unique challenges that clients face. He has advised private wealth clients since 2002, working as a Financial Advisor at UBS Paine Webber in Boston then at Smith Barney in Springfield, Massachusetts. Chris graduated with B.A. in Philosophy from George Washington University. He is an active member of The National Structured Settlement Trade Association.

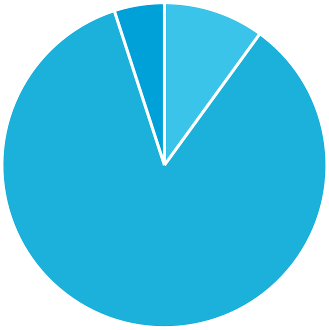
STEVE HOWARD

Steven T. Howard joined Seeley Capital Management in 2018 following a 20-year career creating and managing client portfolios at Morgan Stanley and predecessor companies. As a Managing Director based in New York, he focused his attention on helping high net worth individuals build and preserve wealth using a disciplined, process-based approach to investing. Steve has also held various strategy and research positions within Citigroup.

He spent two years managing the Citi Private Client Investment Strategy team in London and worked as the financial services strategist for Smith Barney in New York. Steve attended Middlebury College, where he graduated with an honors degree in history. He also received an M.B.A. degree in Accounting and Finance from New York University's Stern School of Business. Steve's background in portfolio management, asset allocation, and macroeconomics is a perfect complement to Seeley Capital's client-first approach to wealth management. He has long emphasized the importance of accountability and accessibility as critical components of the client-advisor relationship. Steve lives in Longmeadow, MA with his wife and four children.

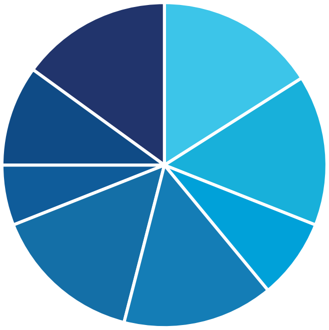
SEELEY CAPITAL TACTICAL ASSET ALLOCATION FRAMEWORK

Model	Strategic	
1. Cash Management	**100%**	**Rep. Holding**
Money Market - Liquid	10%	FDXCASH
Money Market Fund	85%	VMMXX
Market Neutral	5%	CMNIX



Model	Strategic	
1. Conservative	**100%**	**Rep. Holding**
Cash & Liquid Reserves --	20%	VMMXX
Inflation Protected Securities	5%	VTIP
Domestic Fixed Income	15%	DBLTX
Foreign Fixed Income	10%	BNDX
Market Neutral	15%	CMNIX
Balanced Fund	15%	BALFX
Dividend-Oriented Equity	0%	VIG
Classic Defensive (Utes)	10%	PUI
Domestic Equity	10%	YACKX

Model	Strategic	
2. Moderate Conservative	**100%**	**Rep. Holding**
Cash & Liquid Reserves --	16%	VMMXX
Domestic Fixed Income	15%	DBLTX
Foreign Fixed Income	8%	BNDX
Market Neutral	15%	CMNIX
Balanced Fund	15%	BALFX
Dividend-Oriented Equity	6%	VIG
Classic Defensive	10%	PUI
Domestic Equity	15%	YACKX
Foreign Equity	0%	VEA



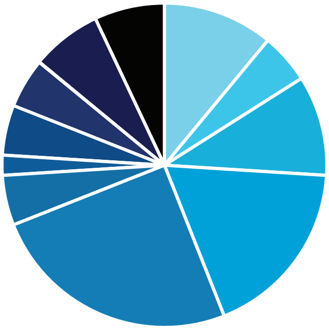
The models advertised herein are not designed based on the individual needs of any one specific client or investor. In other words, it is not a customized strategy designed on the specific financial circumstances of the client. You are also provided the opportunity to place reasonable restrictions on the securities held in your account. Investing involves risk. Depending on the types of investments, there may be varying degrees of risk. Investors should be prepared to bear loss, including total loss of principal.

Model **Strategic**

3. Balanced	100%	Rep. Holding
Cash & Liquid Reserves	11%	VMMXX
Domestic Fixed Income	15%	DBLTX
Foreign Fixed Income	9%	BNDX
Market Neutral	10%	CMNIX
Balanced Fund	20%	AMBFX
Conservative Equity	15%	YACKX
Core Equity	5%	HGIYX
Dividend-Oriented Equity	5%	VIG
Tactical Overweight - PUI	5%	PUI
Tactical Overweight - VNQ	5%	VNQ
Foreign Equity	0%	VEA

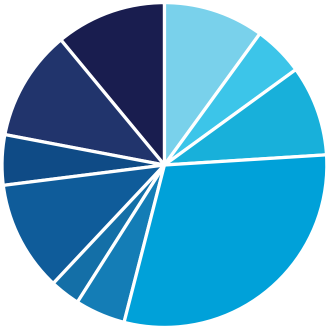
Model **Strategic**

4. Opportunistic Growth	100%	Rep. Holding
Cash & Liquid Reserves --	11%	VMMXX
Foreign Fixed Income	5%	BNDX
Market Neutral	10%	CMNIX
Balanced Fund	18%	AMBFX
Domestic Equity	25%	YACKX
Dividend-Oriented Equity	5%	VIG
Foreign Equity	2%	VEA
Domestic Alpha Driver	5%	QQQ
Tactical Overweight -- IBB	5%	IBB
Tactical Overweight -- PUI	7%	PUI
Tactical Overweight -- VNQ	7%	VNQ



Model **Strategic**

5. Long-Term Growth	100%	Rep. Holding
Cash & Liquid Reserves --	10%	VMMXX
Global Fixed Income	5%	BNDX
Market Neutral	9%	CMNIX
Domestic Equity	30%	HGIYX
Domestic Alpha Driver	5%	QQQ
Foreign Equity	3%	VEA
Dividend-Oriented Equity	11%	VIG
Tactical Overweight -- IBB	5%	IBB
Tactical Overweight -- PUI	11%	PUI
Tactical Overweight -- VNQ	11%	VNQ



OUR SERVICES

FINANCIAL PLANNING

Cash Management and Investments
Retirement Planning and 401(k)
Stocks, Bonds, Mutual Funds
529 College Savings Plan
Insurance and Annuities

INSURANCE SERVICES

Term Life Insurance
Permanent Life Insurance
Care Insurance

SETTLEMENT PLANNING

Comprehensive settlement valuation
Mediation support
Personalized needs analysis and structured settlement design
Availability to assist both claimants and defendants

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