Walk the Line

Balancing Head(lines) and Bottom(lines)

2018 has been a battle between negative news (headlines) and positive corporate profits (bottomlines).

The 1956 song by Johnny Cash is a story about staying disciplined and avoiding temptation which reminds us of the current investing environment. Today, it is tempting to get distracted by the negative headlines and lose focus on the fundamentals. We are very proud to have walked the line in the first quarter of 2018.

	YEAR-TO-DATE
LIM Global Vigilance	***0.5%***
S&P 500 Total Return	*-0.8%*
Barclays Aggregate Bond Index	*-1.5%*

As of 3/31/2018

After a banner 2017 for the stock market and the longest period in history without a -5% decline, the S&P 500 experienced a -10% decline in February. In the end, the market was down -0.8% for the first three months of the year. The LIM Global Vigilance Composite* returned +0.5% (net-of-fee) for the quarter.

Our analysis suggests the economy is in the late stage of the cycle. The most visible indicator is rising interest rates triggered by tighter central bank (Fed) policy. The shift in the Fed's policy to tighten lending conditions continues in 2018 and is shaping the current investing landscape.

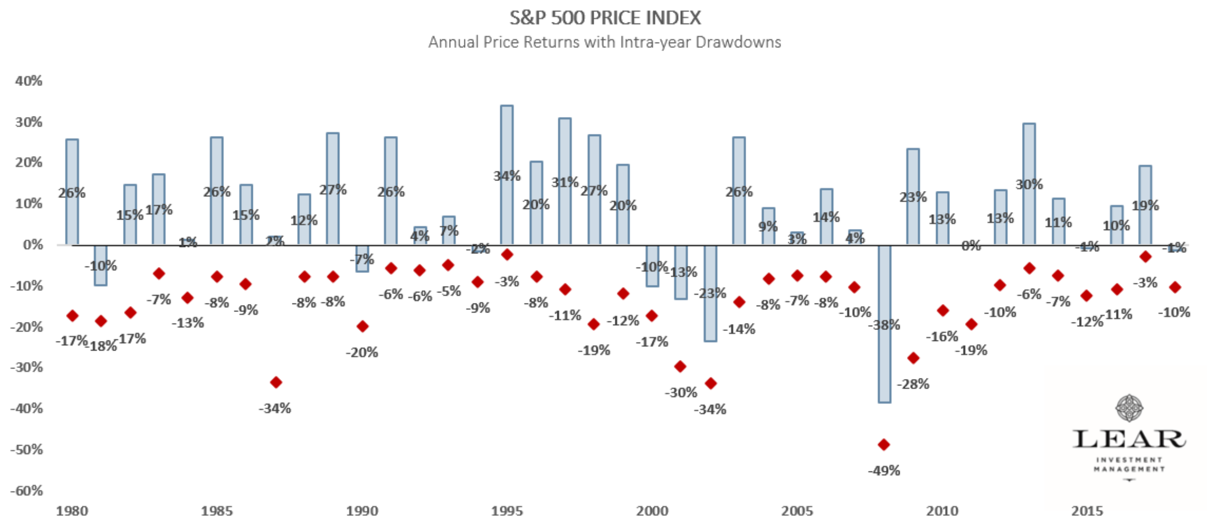
With the reality of rising rates, investors are understandably more "twitchy" than normal. Thus, when the market was faced with two large negative news cycles this quarter, the market responded with a steep sell-off. The two main headlines were trade wars and technology regulation. To be clear – these are both real threats to the economy and stocks. However, we simply do not know enough now to change our mid-to-long term investment view.

While these headlines may induce fear, they have not yet caused fundamental damage to corporate profits. In fact, corporate profits are projected to reach record levels. The S&P 500 is forecasted to have +18% earnings growth in 2018. Moreover, the companies we own have reported solid results so far in 2018.

The tariffs and technology regulation DO have the potential to meaningfully slowdown the economy and cause a recession. However, given what we know today, there is not an immediate impact. We remain vigilant to the potential effects of rising interest rates, tariffs and technology regulation.

The upcoming first quarter earnings season will be one of the most important in years. We will watch as corporations reveal the impact of the tax reform act. We believe companies will increase dividends, buy back stock, and reveal their plans for capital expenditures.

The chart displays the return of S&P 500 by year. The blue bars display the annual return of the S&P 500, while the red diamonds below display the intra-year decline. According the data, 13.8% is the average intra-year decline. 2017 was a rare year – we expect 2018 to return to normal volatility. On average there is a 10% decline each year. In other words, you will have as many birthdays as 10% declines.



In summary, we are not surprised by the decline in the stock market as this is normal and part of investing. The sharp declines weed out the short term speculators and those investors who do not understand the risks associated with stocks. Understanding volatility is the key to investing today.

Eventually, the stock market will decline significantly and there will be a recession. As the song goes - "...keep my eyes wide open all the time" – for signs of a recession.

We remain focused, disciplined and steadfast as we Walk the Line.

Composite Name	Year	Firm Assets under Mgmt^	Composite Assets	% of Firm Assets	# of Accounts	Gross of Fees	Net of Fees	Benchmark	Dispersion
LIM Composite	2018*	$117,496,993	$97,367,059	82.9%	98	0.7%	0.5%	-1.4%	0.4%
LIM Composite	2017	$106,687,909	$93,568,631	87.7%	93	20.1%	18.9%	12.3%	2.5%
LIM Composite	2016	$80,781,889	$60,233,652	74.6%	32	8.6%	7.5%	4.5%	2.3%
LIM Composite	2015**	$77,587,731	$76,104,332	98.1%	48	-2.7%	-3.6%	-1.8%	1.4%***

* Composite and benchmark performance are for the period 1/1/2018 through 3/31/2018
** Composite and benchmark performance are for the period 2/2/2015 through 12/31/2015
*** Dispersion was calculated using partial year data.

^ Total does not include assets under sub-advisory.

Lear Investment Management ("LIM") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. LIM has been independently verified by ACA Performance Services.

Firm Information: LIM is a Registered Investment Advisor based in Dallas, Texas and registered with the Securities and Exchange Commission. Registration does not imply a certain level of skills or training. LIM is a company with purpose, dedicated to creative and unique thinking. We focus on portfolio valuation and research, along with a superior client experience. We seek to identify investment opportunities by looking at economic factors, security valuation and human behavior. We start with the fundamentals of portfolio management and valuation. Then we build on these fundamentals with unique thinking and creative intelligence-gathering to form a viable investment thesis. We believe this approach leads to dynamic global portfolios with increased return and managed risk. LIM utilizes Charles Schwab & Co. Inc. ("Schwab"), a FINRA-registered broker-dealer, member SIPC, as its custodian of assets. LIM is independently owned and operated and not affiliated with Schwab.

Composite Characteristics: The LIM Global Vigilance Composite is a collection of separate accounts managed by LIM. Currently the composite holds approximately 60% equities, 35% fixed income and 5% money market. The composite is tracked by Black Diamond (an Advent company). The composite is $97 million dollars of total assets and made up of 98 accounts. These are actual clients of the firm and are all managed by the Lear Investment Management portfolio management team. The strategy is global (US and abroad) equities, fixed income, and cash - depending on market conditions. The composite reinvests dividends. Individual account performance will differ. Past performance is not indicative of future results. The composite was created on February 2, 2015. The composite includes accounts over $100,000, one to three months after inception (depending on how the assets were received). The firm's list of composite descriptions is available upon request.

Calculation Methodology: Composite returns are calculated by asset-weighting the individual portfolio returns using beginning-of-period values. Composite returns are calculated on a daily basis and geometrically linked to calculate the monthly return. Cash flow timing method: contributions are recorded at the beginning of the day (AM) and distributions are recorded at the end of the day (PM). LIM may use leverage up to 150% of the portfolio net assets as part of investment strategy. Derivatives are not used. Depending on the conditions in the financial markets, the firm may utilize options to hedge entire portfolios or a specific security within a portfolio. LIM calculates the asset-weighted standard deviation of the annual gross returns for composites that have six or more portfolios in the composite for the entire year using Black Diamond. LIM's policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. The three-year annualized standard deviation is not presented for 2015 through 2017 due to less than 36 months of composite and benchmark data.

Benchmark: The customized Composite Benchmark is currently 50% Bloomberg Barclays Aggregate Bond Index & 50% FTSE Global Equity All-World, calculated monthly.

Net-of-fee Performance: Net-of-fee performance shown is calculated by Black Diamond (an Advent Company) and reflects the deduction of actual management fees charged by LIM and any applicable trade fees charged by Schwab. Valuations and performance are computed in US dollars, and individual portfolios are revalued daily.

Fee Schedule: For Private Client: 1.00% on the first $10 million of assets under management. 0.90% on assets from $10 million to $30 million and 0.80% on assets of $30,000,001 or more. Institutional Clients' fee schedule may vary.