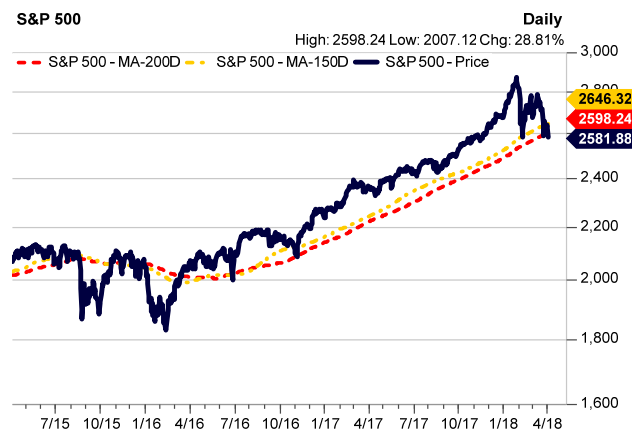


Observation Deck

Views from the Investment Policy Committee



2nd Quarter 2018

Purpose

- The Observation Deck is a series of pictures designed to communicate points of view and to generate discussion and debate, it is NOT a set of recommendations
- Our commentary is not the result of any single data point or graphic, it is a reflection of the weekly conversations within the Investment Policy Committee and a set of perspectives that are derived from many observations accumulated over varying time frames
- Slides that are included in the Observation Deck are a subset of the scores of data points and graphics that the Investment Policy Committee views each week in assessing the status of the business cycle and the health of financial markets
- We hope that you enjoy the Observation Deck and recognize that the views and opinions expressed are capturing a moment in time and are subject to change without notice

Macro TIP Chart

Tactical Investment Positioning

2nd Quarter 2018

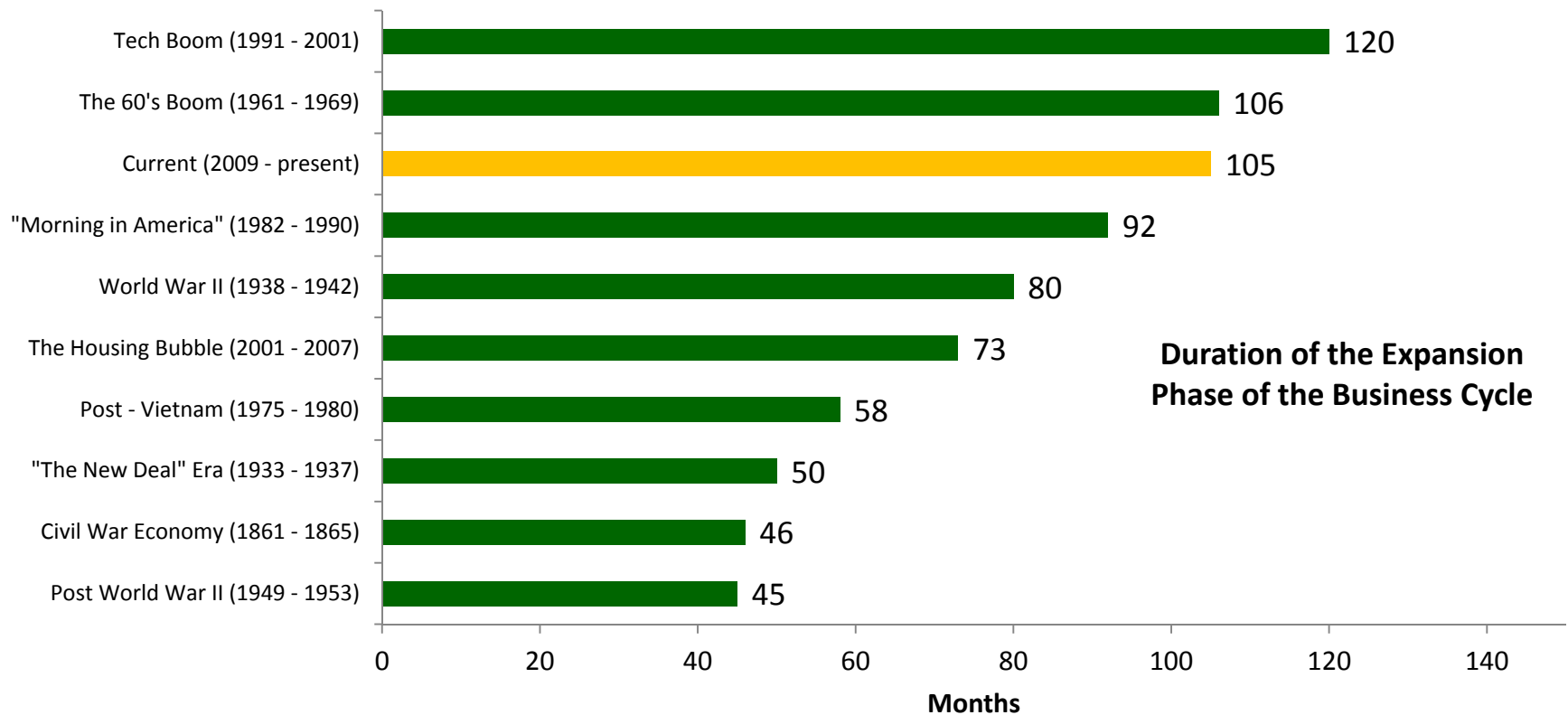
Strength of Conviction	Chg	Negative	Neutral	Positive	Rationale
Business Cycle	←				Synchronized Global Growth; peak levels for PMI's, global manufacturing, confidence & sentiment indicators, employment.
Financial Conditions					Monetary policy changing but still accommodative. Fiscal policy adding near term stimulus
Relative Preference	Chg	Neutral			Rationale
Asset Class	←	Bonds	Stocks		Positive trajectory for profit growth but stocks likely at peak valuation levels. Bond yields becoming more attractive.
Economic Sensitivity	←	Defensive	Cyclical		Profit cycle remains good for economically sensitive stocks. Valuations becoming more attractive for defensive stock sectors.
Credit Quality		Sovereign	Credit		Credit fundamentals remain mostly solid. However, spreads are very narrow and suggest valuations are full.
Duration Profile	→	Short Maturity	Long Maturity		Yields responding to higher inflation expectations and monetary policy actions. Business cycle reaching late stage.
Commodities		Below Weight	Above Weight		Late stage GDP strength pushing incremental demand against a mostly stable supply environment.
Cash		Below Weight	Above Weight		Rising cash yields offer competition to financial assets for the first time in over a decade.

This document is for informational purposes only. It contains views of the Investment Policy Committee (IPC) of Vigilant Capital Management, LLC (Firm) and does not serve as advice or recommendation. The views and opinions expressed in this document are subject to change at any moment and without notice.

Observation #1

Long Live Goldilocks

- It has been one of the most “disliked” expansions, but what this business cycle has lacked in strength it has made up for in its duration, and will soon be the second longest expansion of the past century
- The current expansion may rank 3rd in its duration, but its cumulative strength has lagged many of its predecessors – expanding just 20.4% vs the long-term average near 25% and the 1960’s expansion near 53%



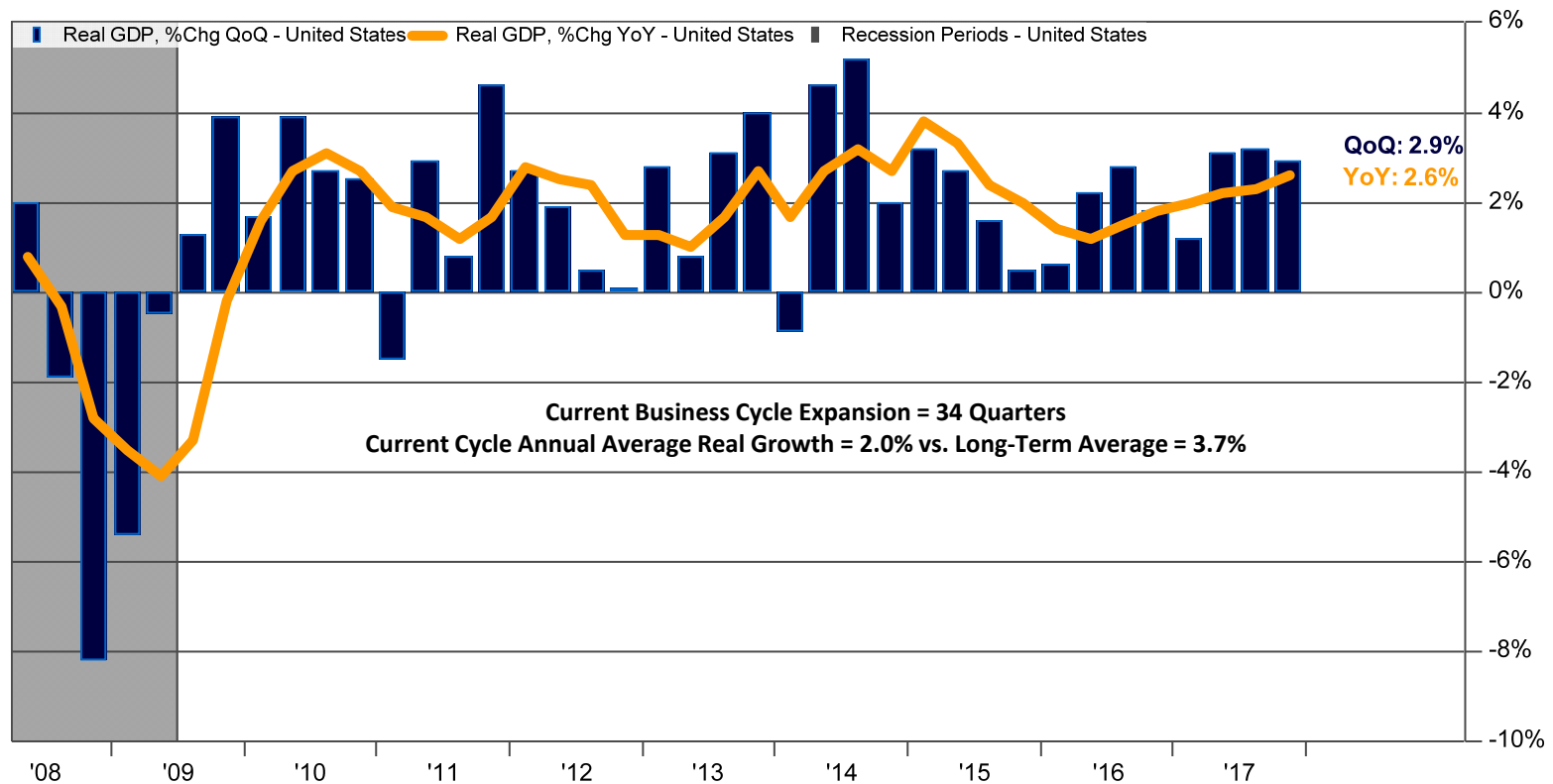
Source: NBER (National Bureau of Economic Research), As of March 31, 2018

Observation #1

Long Live Goldilocks

- The “not too hot...not too cold” nature of the current expansion has allowed it to become one of the longest periods of economic growth
- Business cycles rarely end because of age, their demise is more commonly caused by the overheating associated with reaching the “euphoric” stage of the cycle

USA Real GDP Growth

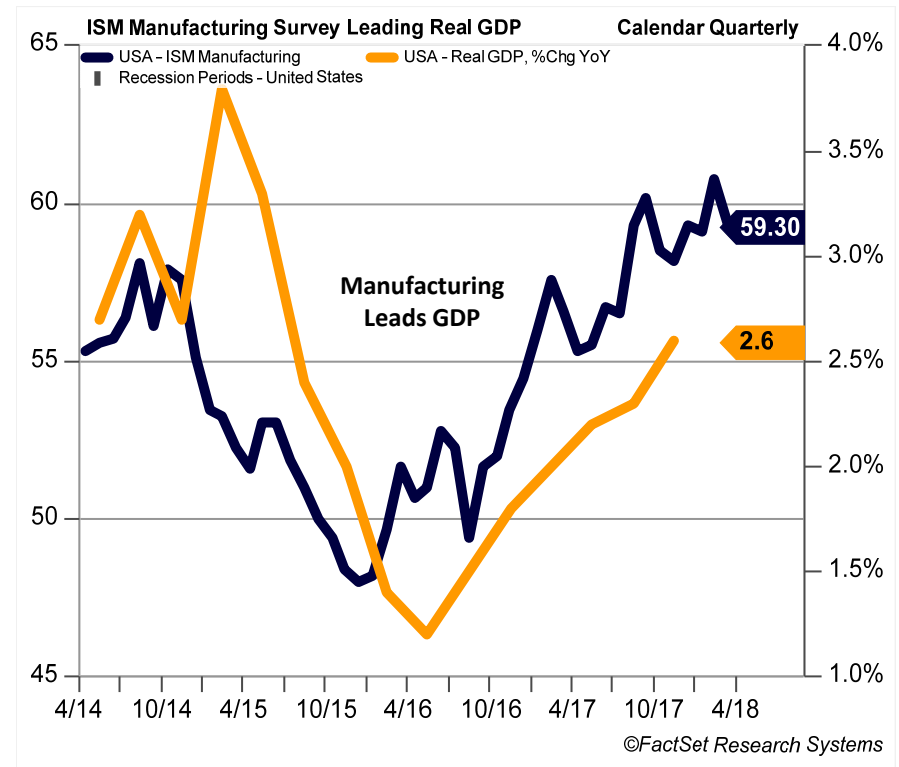
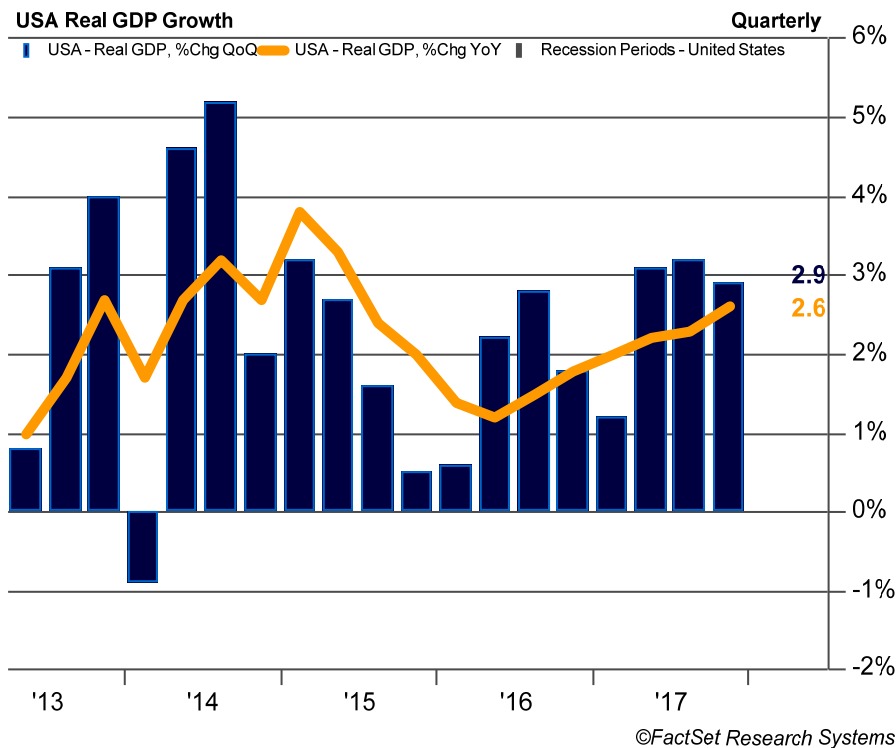


©FactSet Research Systems

Observation #2

Cycle within the Cycle

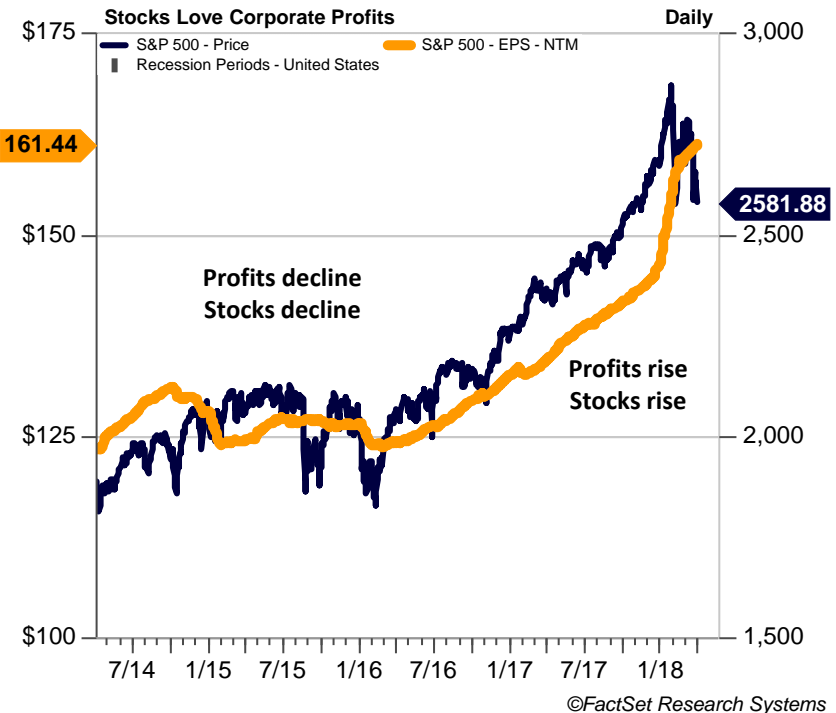
- Monitoring a business cycle by watching Real GDP (gold line, both charts) is observing the economy through the rear view mirror, it tells us where we have been and is of little use to investors
- The ISM Manufacturing surveys (blue line, chart on right) that are released each month, are great leading indicators for where the economy may be headed



Observation #2

Cycle within the Cycle

- The 2015 slump in manufacturing activity (caused by sharp declines in energy prices and too much U.S. oil production) resulted in sagging CEO confidence (chart on left) and weak corporate profits (chart on right)
- The 2016 manufacturing recovery and expansion (caused by synchronized and accelerating global growth) improved the confidence in CEO suites (chart on left), drove healthy corporate profit expectations (gold line, chart on right), and established significantly higher stock prices (blue line, chart on right)



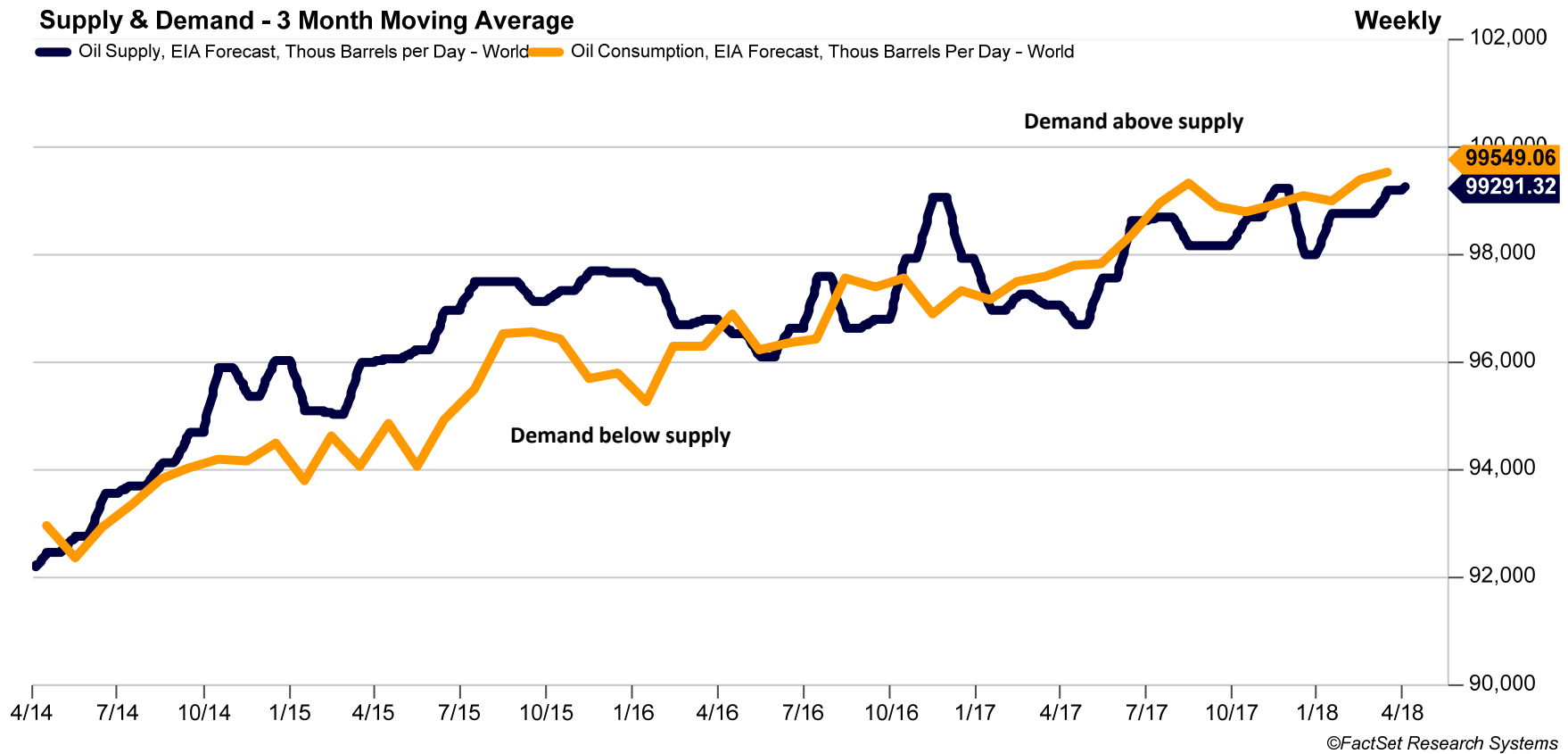
Observation #3

Oil Supply & Demand

- The advances of technology in the extraction of oil, particularly from shale, have changed the global dynamics of energy markets
- In 2015, the ability for U.S. producers to extract increasing amounts of oil caused global supply to outpace global demand, but synchronized global growth accelerated throughout 2017 and pulled consumption higher

Supply & Demand - 3 Month Moving Average

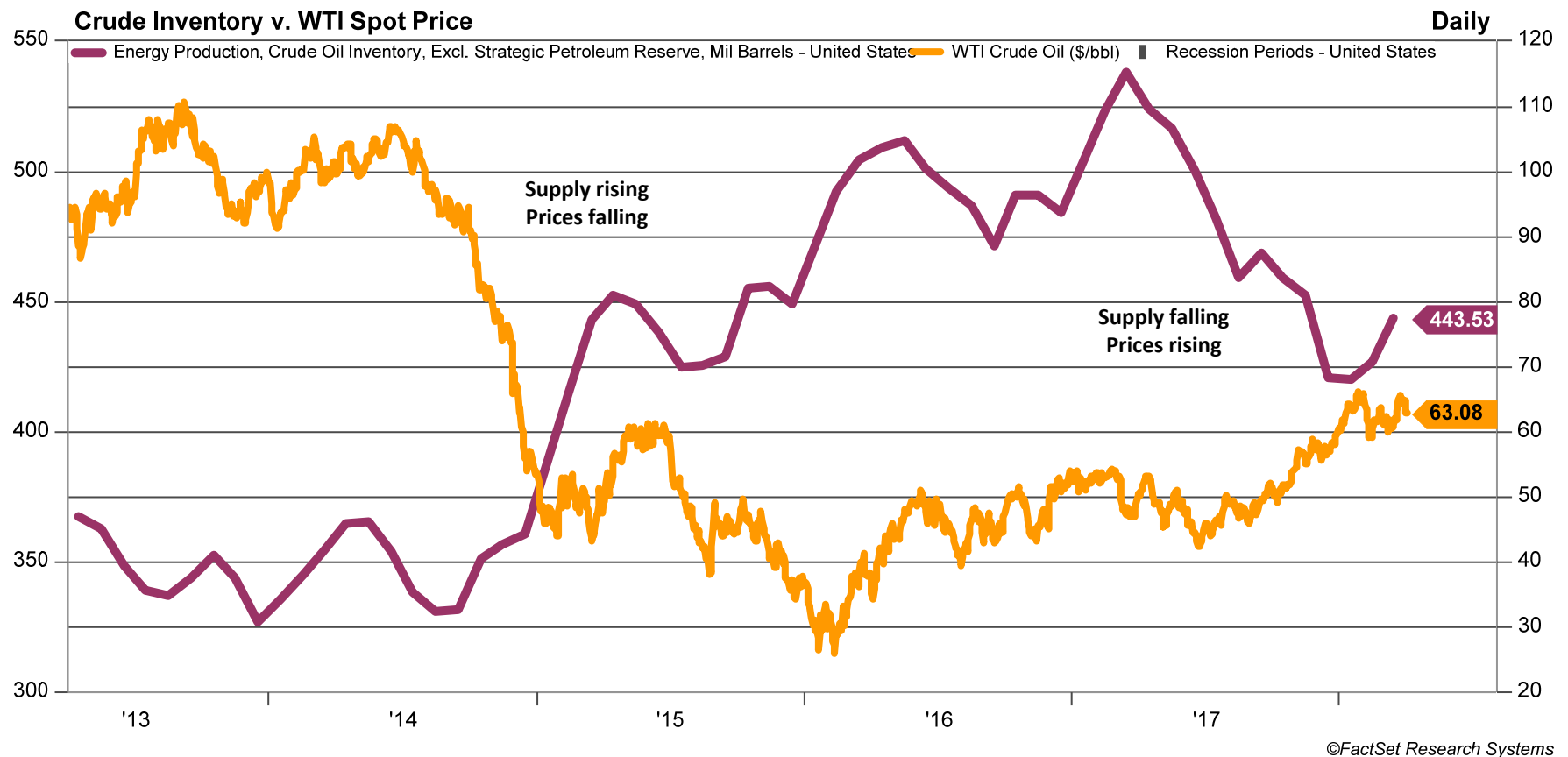
Oil Supply, EIA Forecast, Thous Barrels per Day - World Oil Consumption, EIA Forecast, Thous Barrels Per Day - World



Observation #3

Oil Supply & Demand

- The price of oil (gold line) typically reacts to supply & demand imbalances very quickly
- Rising crude oil inventory (purple line) led to a rapid collapse in the price of oil in 2015, but once the rate of supply and level of inventory are brought into balance, markets provide the support to prices



Observation #4

Peak Levels of Manufacturing Activity

- The pace of manufacturing activity has been accelerating worldwide since early 2016 and has included the most diverse geographic participation since the “Great Recession”
- Manufacturing PMI activity indices have been achieving cycle highs (yellow box), in some cases all-time highs, but activity levels may be peaking and it would be natural for them to start to fade into late cycle

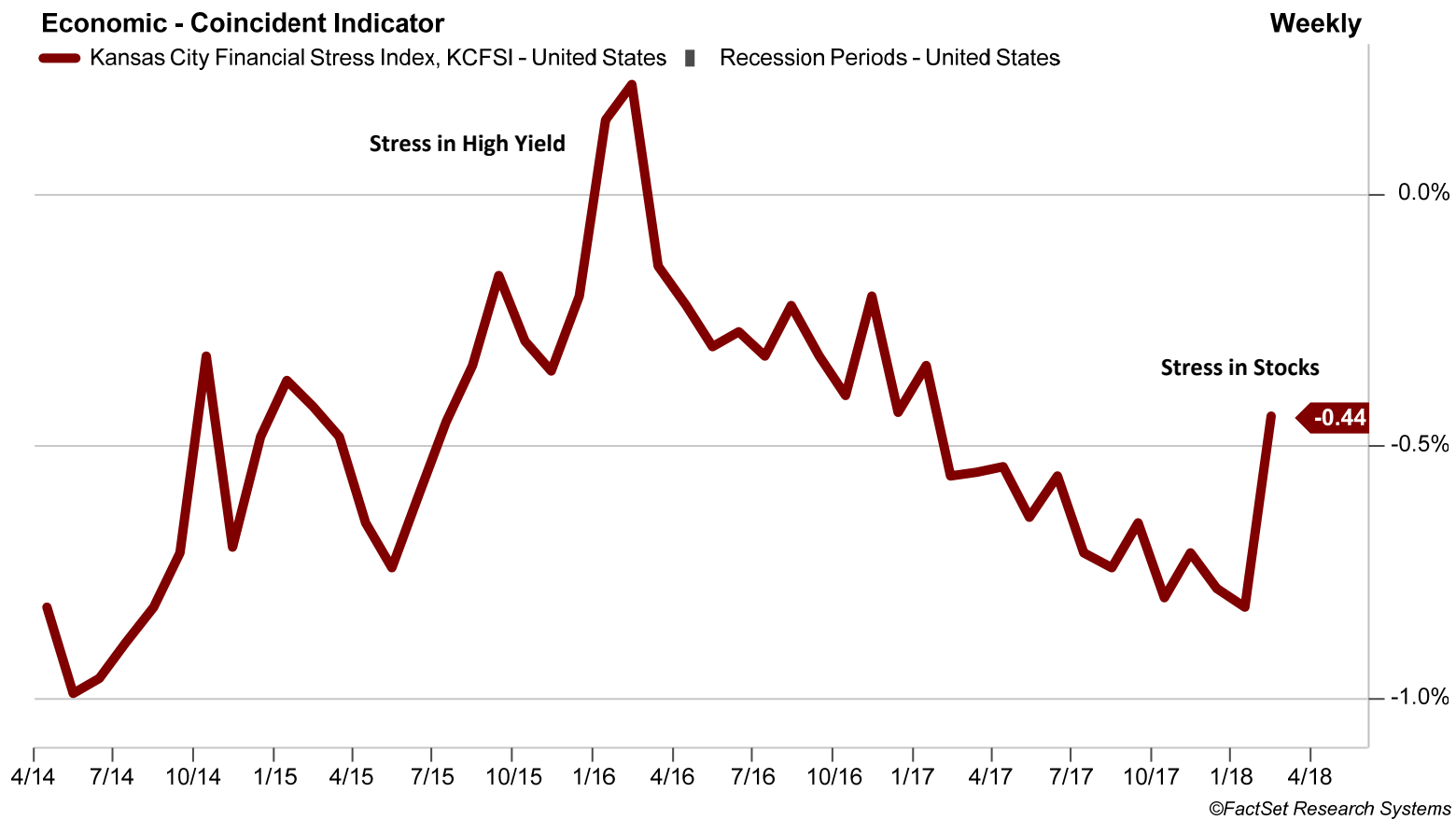
	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
World	50.17	50.10	50.37	50.96	50.75	51.08	51.95	52.02	52.64	52.72	52.92	52.92	52.70	52.58	52.55	52.69	53.13	53.23	53.44	54.00	54.47	54.41	54.10	53.40
Developed	50.45	50.31	51.14	51.40	51.20	51.51	52.58	52.92	53.75	54.15	54.10	53.89	54.09	54.12	53.84	53.93	54.17	54.59	55.17	55.81	56.22	56.28	55.73	-
Emerging	49.60	49.59	49.31	50.35	50.14	50.39	51.06	50.78	51.06	50.84	51.31	51.58	50.93	50.55	50.78	50.92	51.67	51.35	51.19	51.61	52.17	51.90	51.95	51.34
USA	50.83	50.72	51.30	52.90	52.03	51.46	53.40	54.10	54.30	54.99	54.21	53.27	52.80	52.67	51.95	53.34	52.82	53.10	54.63	53.95	55.06	55.51	55.30	55.57
UK	49.82	50.61	53.09	48.53	53.12	55.59	53.85	53.24	55.64	55.28	54.66	54.33	57.42	56.51	54.27	55.32	56.81	55.95	56.20	58.29	56.06	55.13	55.00	55.13
Canada	52.20	52.10	51.79	51.88	51.11	50.29	51.05	51.47	51.85	53.52	54.71	55.46	55.85	55.09	54.66	55.47	54.58	54.96	54.33	54.42	54.67	55.94	55.58	55.72
Australia	53.38	50.95	51.81	56.36	46.87	49.85	50.87	54.20	55.40	51.16	59.28	57.47	59.20	54.80	55.00	56.00	59.80	54.20	51.10	57.30	56.20	58.70	57.50	63.10
Euro Zone	51.71	51.46	52.82	52.02	51.69	52.59	53.47	53.67	54.88	55.24	55.42	56.24	56.74	57.02	57.35	56.59	57.43	58.14	58.50	60.07	60.60	59.58	58.58	56.56
Germany	51.79	52.06	54.45	53.75	53.64	54.32	55.00	54.30	55.60	56.43	56.77	58.35	58.20	59.45	59.60	58.10	59.28	60.61	60.62	62.50	63.35	61.11	60.57	58.22
Italy	53.93	52.43	53.54	51.22	49.75	51.02	50.95	52.20	53.16	53.04	54.99	55.69	56.19	55.10	55.17	55.15	56.35	56.28	57.79	58.30	57.41	59.02	56.84	55.11
France	48.03	48.42	48.26	48.64	48.32	49.71	51.78	51.72	53.55	53.63	52.22	53.29	55.08	53.84	54.84	54.88	55.78	56.11	56.09	57.70	58.83	58.36	55.91	53.67
Ireland	52.59	51.51	53.05	50.25	51.75	51.27	52.11	53.68	55.68	55.48	53.82	53.59	54.97	55.94	55.96	54.59	56.10	55.38	54.40	58.13	59.10	57.62	56.20	54.09
Greece	49.67	48.40	50.42	48.71	50.38	49.19	48.64	48.29	49.27	46.58	47.72	46.70	48.20	49.56	50.53	50.49	52.16	52.84	52.12	52.18	53.15	55.16	56.08	54.97
Spain	53.45	51.78	52.16	51.00	50.97	52.35	53.27	54.55	55.27	55.59	54.75	53.91	54.49	55.41	54.66	53.98	52.36	54.27	55.78	56.11	55.79	55.24	56.01	54.80
China	49.38	49.19	48.60	50.56	49.99	50.09	51.17	50.93	51.89	50.96	51.65	51.22	50.25	49.63	50.37	51.07	51.59	50.99	50.99	50.82	51.48	51.50	51.59	51.02
India	50.47	50.69	51.73	51.85	52.62	52.07	54.40	52.26	49.61	50.36	50.66	52.49	52.48	51.61	50.94	47.85	51.25	51.15	50.26	52.59	54.75	52.40	52.14	50.97
Japan	48.19	47.73	48.05	49.26	49.53	50.39	51.44	51.34	52.36	52.72	53.29	52.39	52.74	53.13	52.44	52.11	52.25	52.86	52.79	53.64	53.96	54.78	54.12	53.07
South Korea	50.01	50.10	50.54	50.06	48.57	47.60	47.95	48.05	49.41	49.01	49.19	48.40	49.37	49.17	50.13	49.06	49.86	50.61	50.15	51.16	49.86	50.69	50.26	49.12
Taiwan	49.69	48.46	50.49	50.97	51.76	52.16	52.74	54.73	56.16	55.65	54.51	56.16	54.37	53.05	53.34	53.58	54.35	54.20	53.58	56.33	56.59	56.87	56.01	55.27
Indonesia	50.91	50.60	51.88	48.37	50.44	50.93	48.71	49.73	48.95	50.37	49.26	50.50	51.18	50.65	49.55	48.58	50.73	50.43	50.13	50.42	49.28	49.92	51.37	50.69
Russia	47.97	49.60	51.48	49.55	50.78	51.05	52.44	53.62	53.68	54.72	52.47	52.40	50.76	52.35	50.28	52.66	51.55	51.92	51.14	51.49	51.97	52.15	50.19	50.60
Brazil	42.57	41.63	43.24	46.03	45.75	46.02	46.31	46.23	45.22	43.96	46.88	49.57	50.12	51.96	50.50	50.01	50.87	50.90	51.22	53.47	52.35	51.17	53.22	53.44
Mexico	52.35	53.56	51.13	50.62	50.88	51.88	51.80	51.14	50.18	50.81	50.59	51.51	50.73	51.23	52.34	51.22	52.17	52.84	49.19	52.41	51.72	52.62	51.64	52.42

Heat Map = Monthly manufacturing PMI activity indices (Markit Economics)
 Green = readings above 50 are indicative of manufacturing activity expanding
 Red = readings below 50 are indicative of manufacturing activity contracting
 Yellow = highest reading for that country during the 3 year time period

Observation #5

Financial Conditions Matter

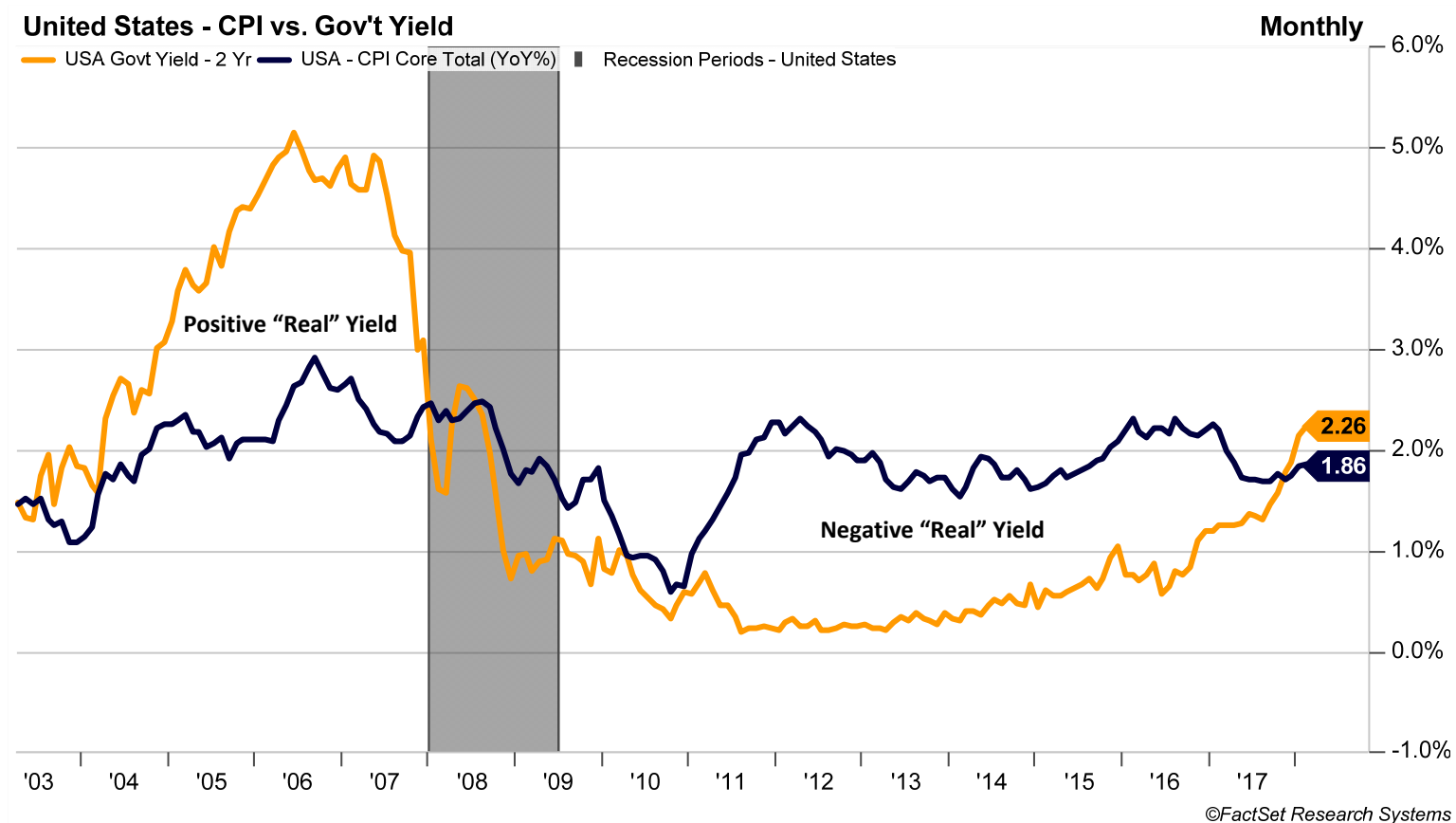
- The Federal Reserve tracks financial conditions closely, knowing that the availability and cost of capital often determine the level of stress with the financial system, such as that experienced in the energy sector in 2015
- While still quite low, the Kansas City Fed Financial Stress Index has edged higher in recent months



Observation #6

Don't Fight the Fed

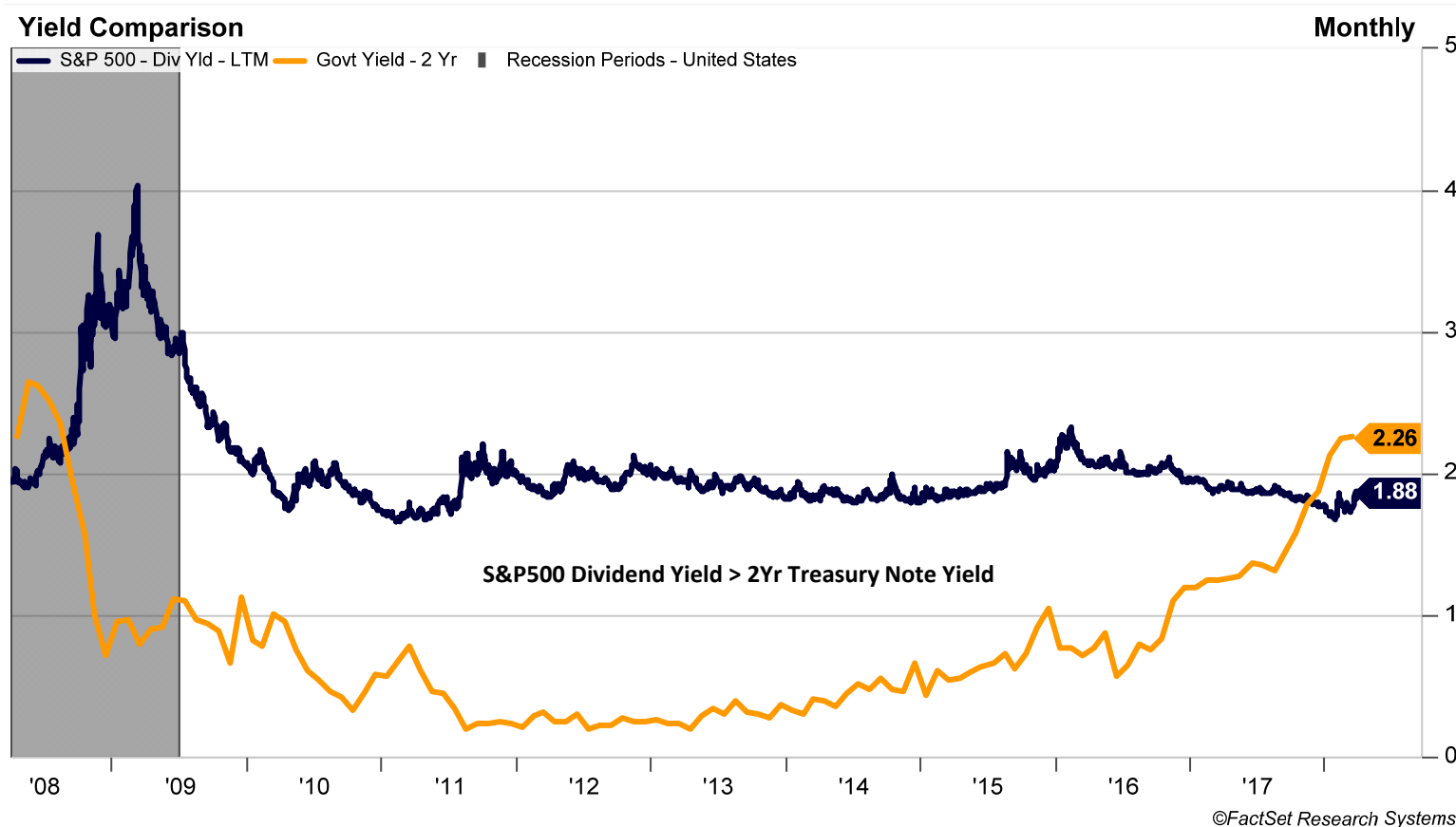
- The breadth and overall strength of the U.S. economy has convinced the Federal Reserve to remove the extraordinary monetary accommodations by raising interest rates at a “measured” pace
- For the first time in near 10 years, the real yield on 2 Year US Treasury Notes exceeds the rate of core inflation



Observation #6

Don't Fight the Fed

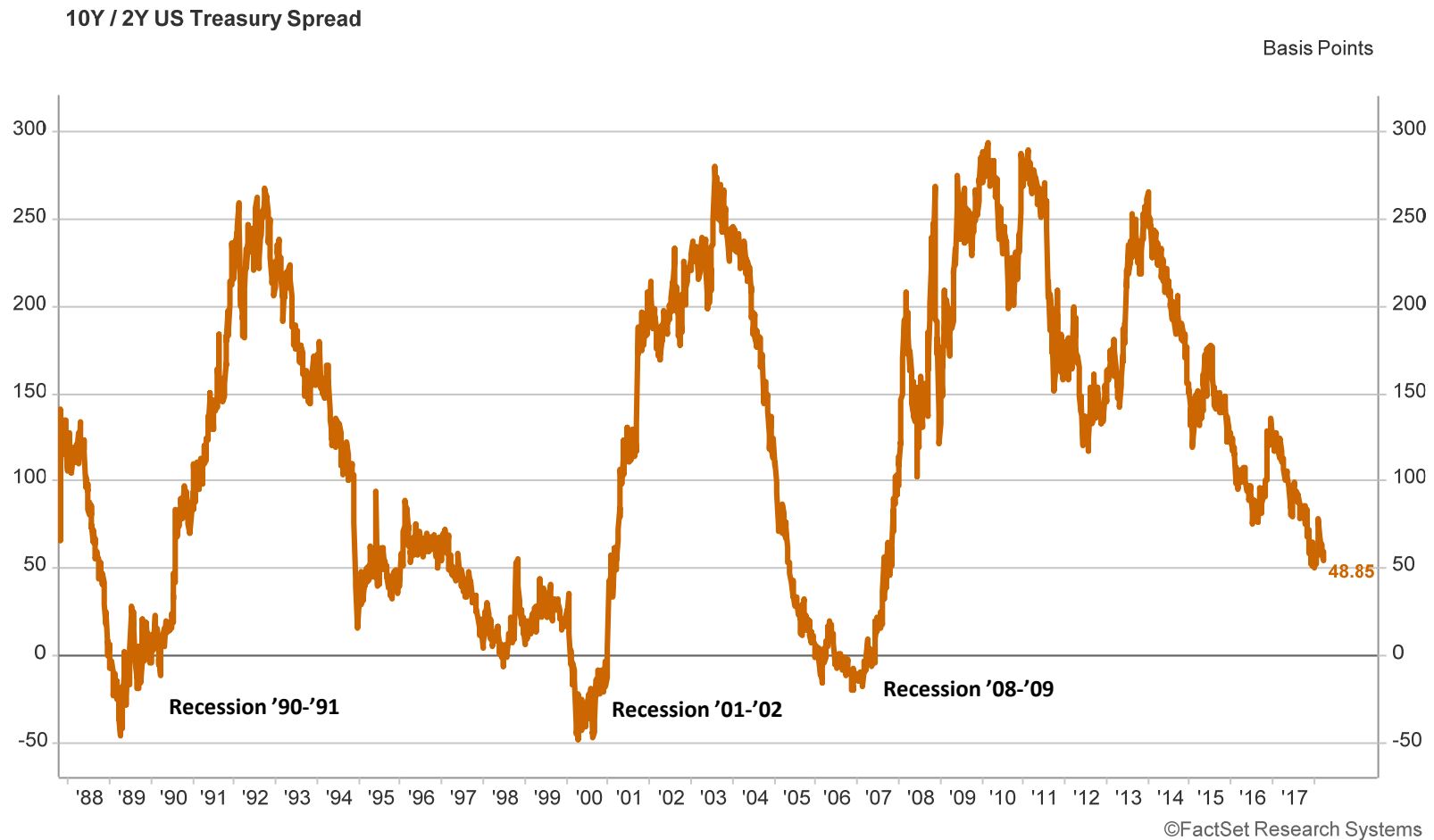
- Monetary Policy actions to raise interest rates and force the short end of the yield curve higher starts to place pressure on other financial assets that may have been influenced by negative real yields on US Treasury Notes
- For the first time in near 10 years, the yield on the 2 year US Treasury Note exceeds the dividend yield of the S&P 500 stock index



Observation #7

Key Spread Grinds Tighter

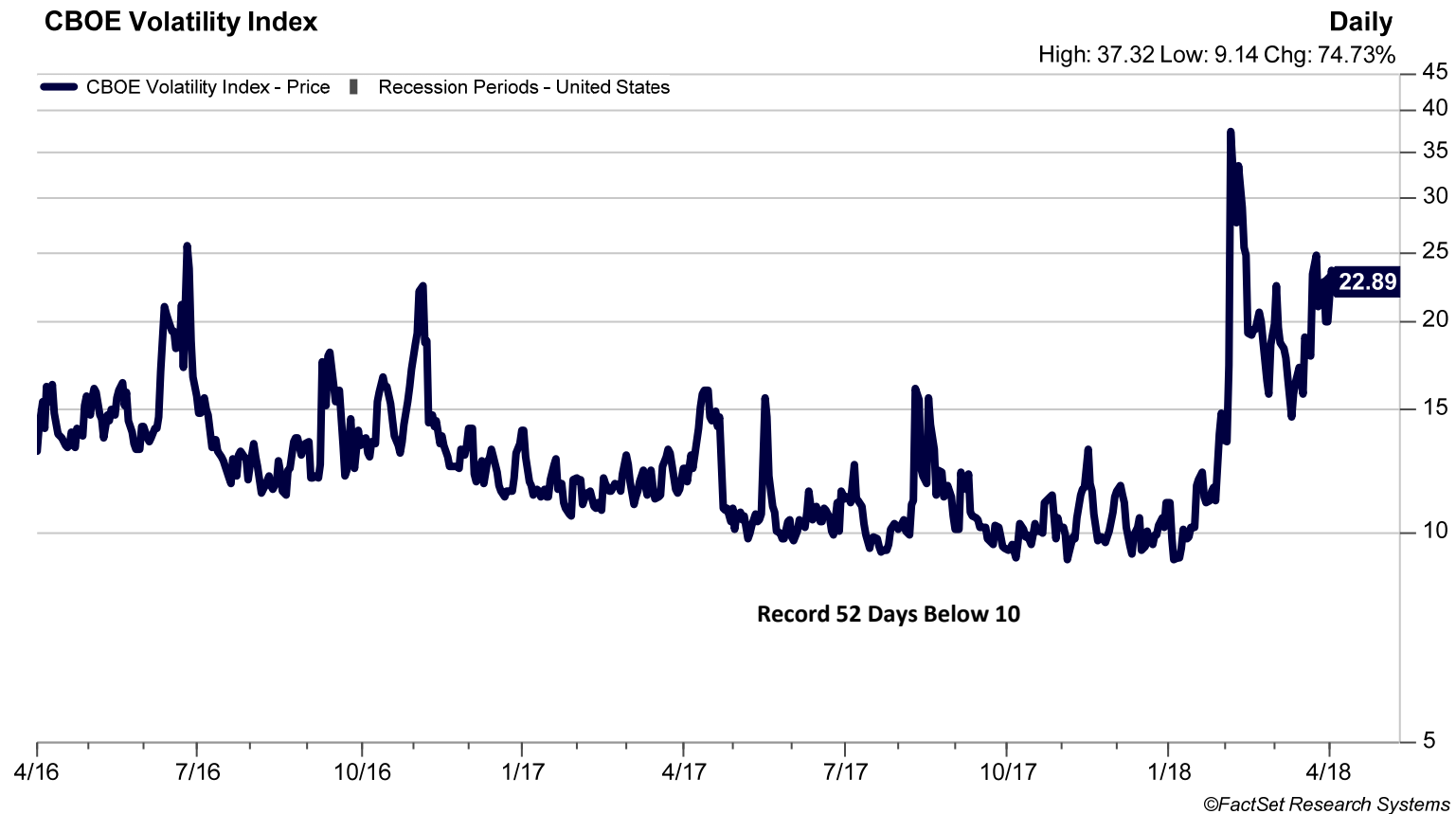
- Since World War II, a negative 10Yr/2Yr US Treasury Spread has been among the greatest predictors of looming recession



Observation #8

Volatility Can Create Opportunity

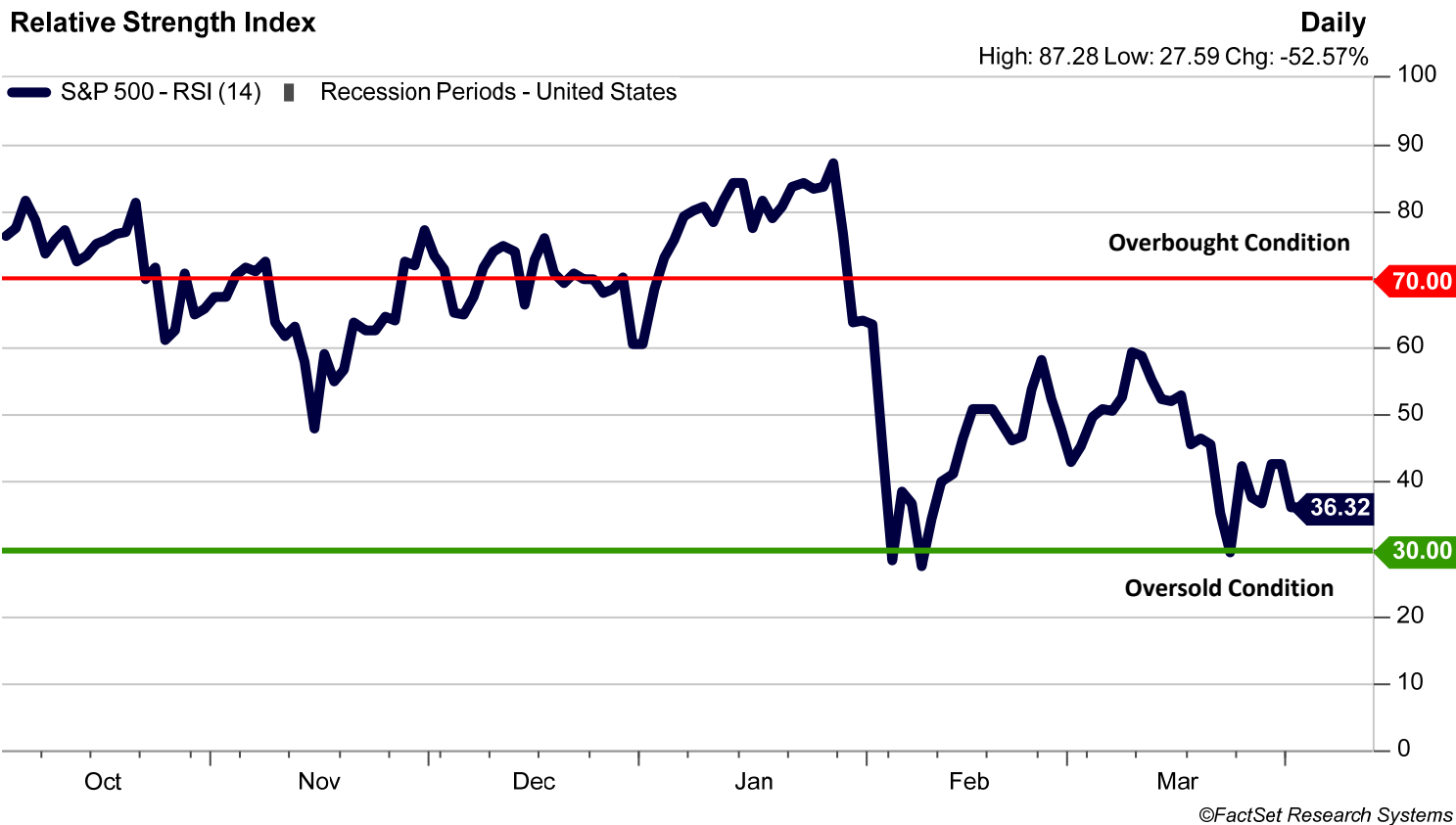
- After spending 52 days below 10 in 2017 (the previous calendar year record was just 5 days), the CBOE stock volatility index (VIX) has roared higher in 2018
- The increased volatility of stocks has yet to spill over to other asset classes and may suggest that the pressure on stocks is creating opportunities for investors



Observation #8

Volatility Can Create Opportunity

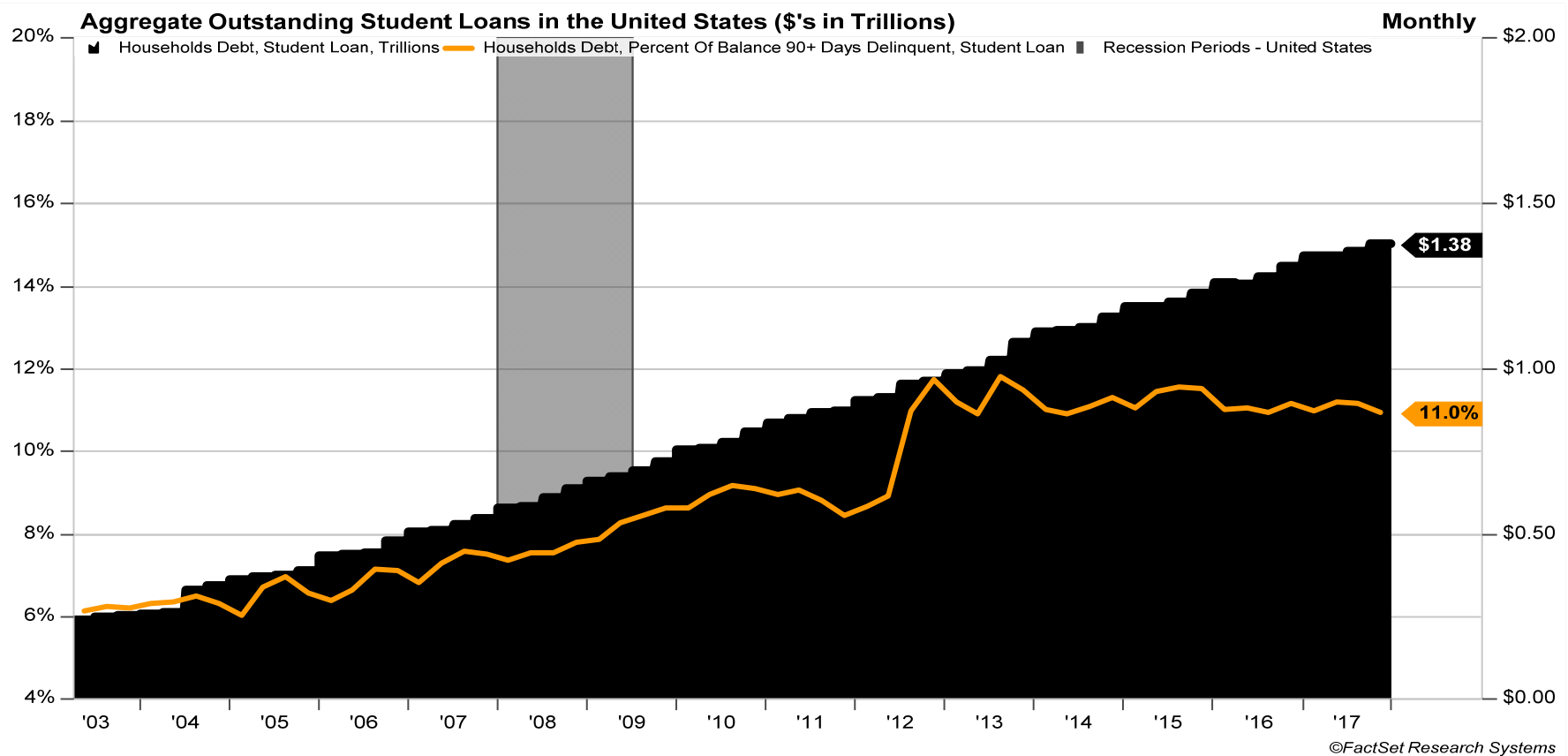
- The Relative Strength measure of a market index is often used as a technical indicator for near-term oversold conditions (green line below 30) and near-term overbought conditions (red line above 70)
- Recent volatility has placed significant pressure on the Relative Strength of many stock markets, the S&P 500 now finds itself near oversold conditions and may offer opportunity to buy stocks at more attractive prices



Observation #9

Student Loan Debt Has Consequences

- Student loan debt has become one of the fastest growing categories of debt in the United States over the past 15 years, placing enormous financial pressure on young adults and delaying contributions to economic growth
- About 45 million people in the United States carry student debt with the average borrower owing more than \$30,000 and about 1/5th owing more than \$100,000

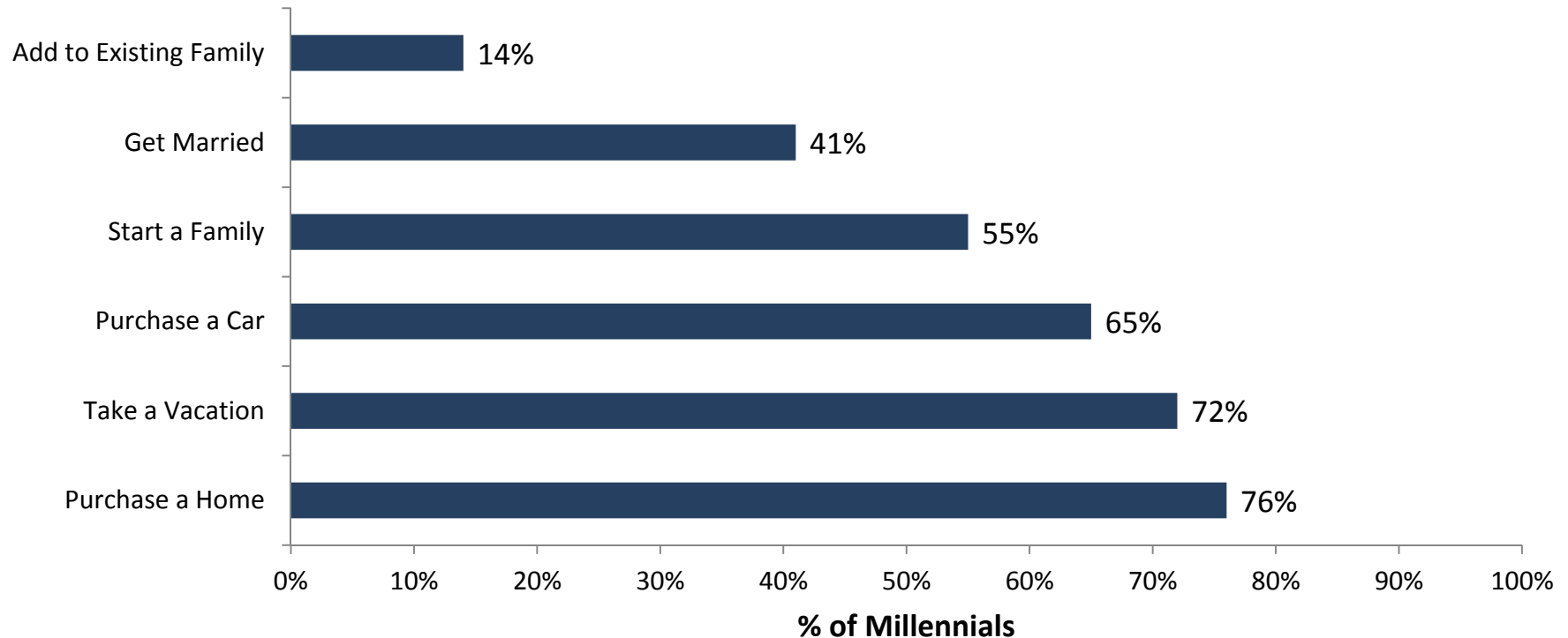


Observation #9

Student Loan Debt Has Consequences

- The burden of student loan debt can be overwhelming and may add significant financial pressures to young adults who should be in the early stages of contributing to economic growth
- The financial pressures associated with student loan debt are likely to have many consequences, including a variety of impacts on important components of economic activity

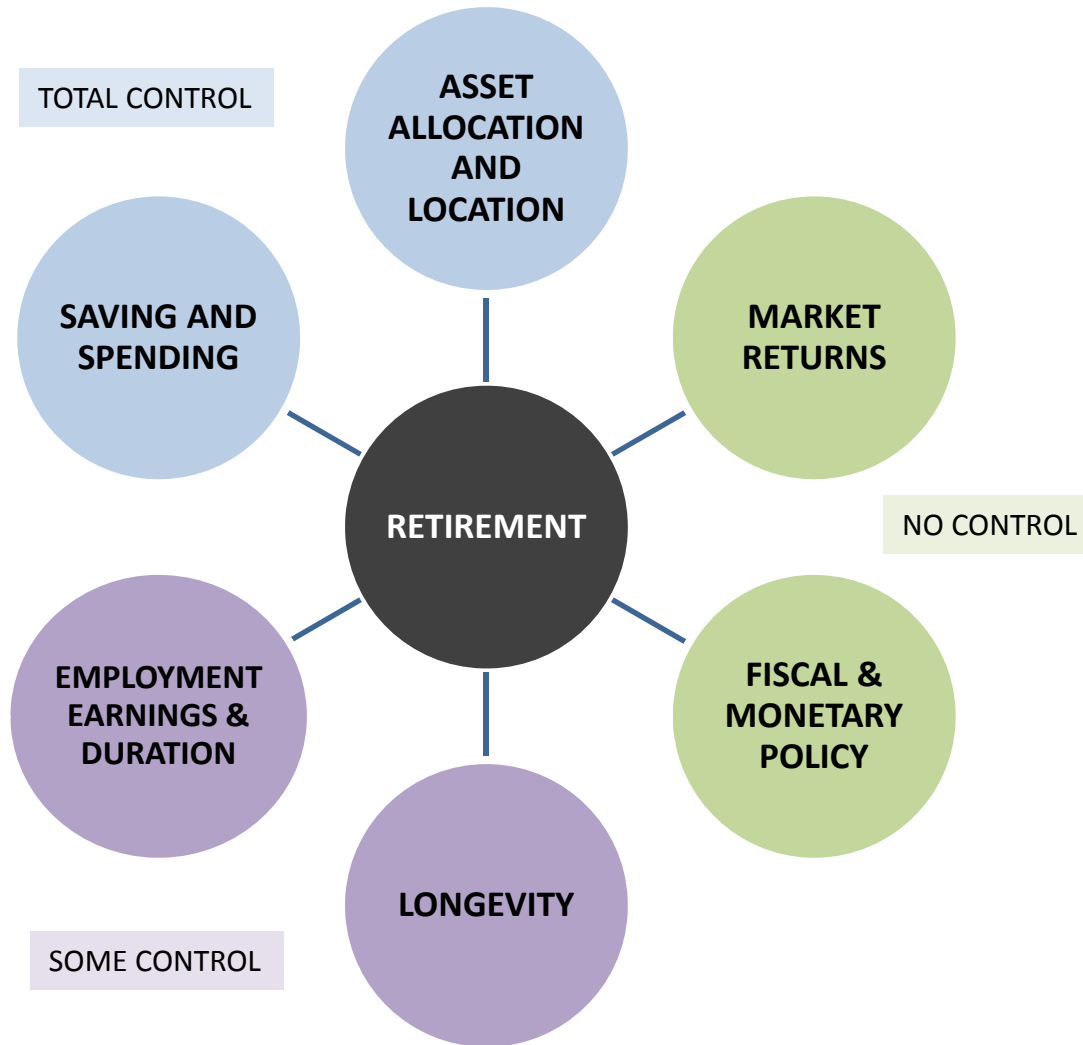
Percent of Millennials with student loan debt who believe it delayed certain life events



Source: National Association of REALTORS and American Student Assistance's Student Loan Debt and Housing Report. 2017

Observation #10

The Most Important Decision - Asset Allocation



A SOUND RETIREMENT PLAN

Make the most of the things that you can control but be sure to evaluate factors that are somewhat or completely out of your control

JP Morgan Asset Management "Guide to Retirement"

Disclosure

This document is for informational purposes only. It contains views of the Investment Policy Committee (IPC) of Vigilant Capital Management, LLC (Firm) and does not serve as advice or recommendation. The views and opinions expressed in this document are subject to change at any moment and without notice.

Any performance data quoted or expressed in graphs and commentary represent past performance and is not a guarantee of future results. Investing involves risk and you could lose all or a portion of the value of your investment portfolio. The value of your investment portfolio and your investment return will fluctuate based on changes in the value of your portfolio investments. In the future, your investment portfolio may be worth more or less. This document does not represent the investments that may or may not be held in your investment portfolio.

Please contact Vigilant Capital Management, LLC if there are any changes in your financial situation or investment objectives, or if you wish to impose, add or modify any reasonable restrictions to the management of your account.

Vigilant Capital Management, LLC completes and updates regulatory filings with the SEC as required. Please refer to the Firm's ADV Part 1, Part 2A and Part 2B filings for important information about how the Firm manages investment portfolios, what fees may apply to investment portfolios, important Firm disclosures, and information about employees that may participate in the investment process of the Firm. These filings may be viewed at www.sec.gov and are available upon request.