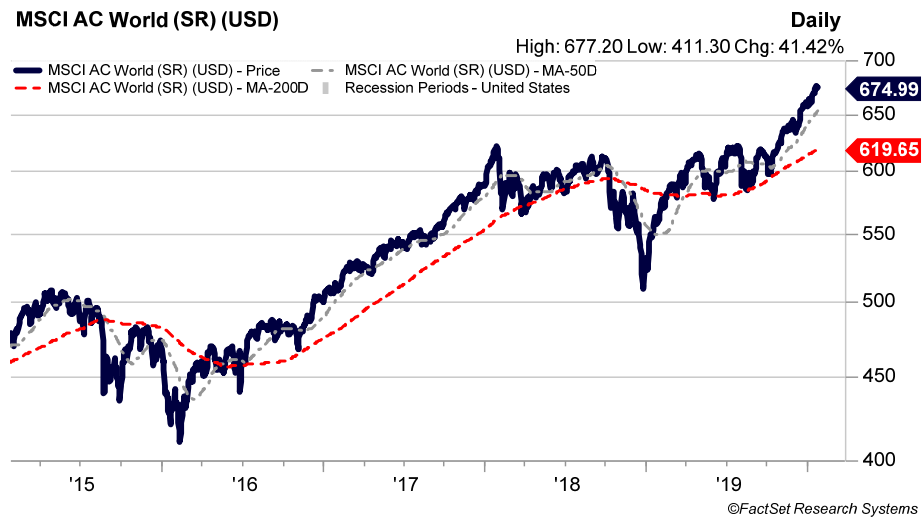


Observation Deck

Views from the Investment Policy Committee



1st Quarter 2020

Purpose

- The Observation Deck is a series of pictures designed to communicate points of view and to stimulate 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



Top
**Financial
Advisers**
2019

FT 300 Ranking June 2019

Macro TIP Chart

Tactical Investment Positioning

1st Quarter 2020

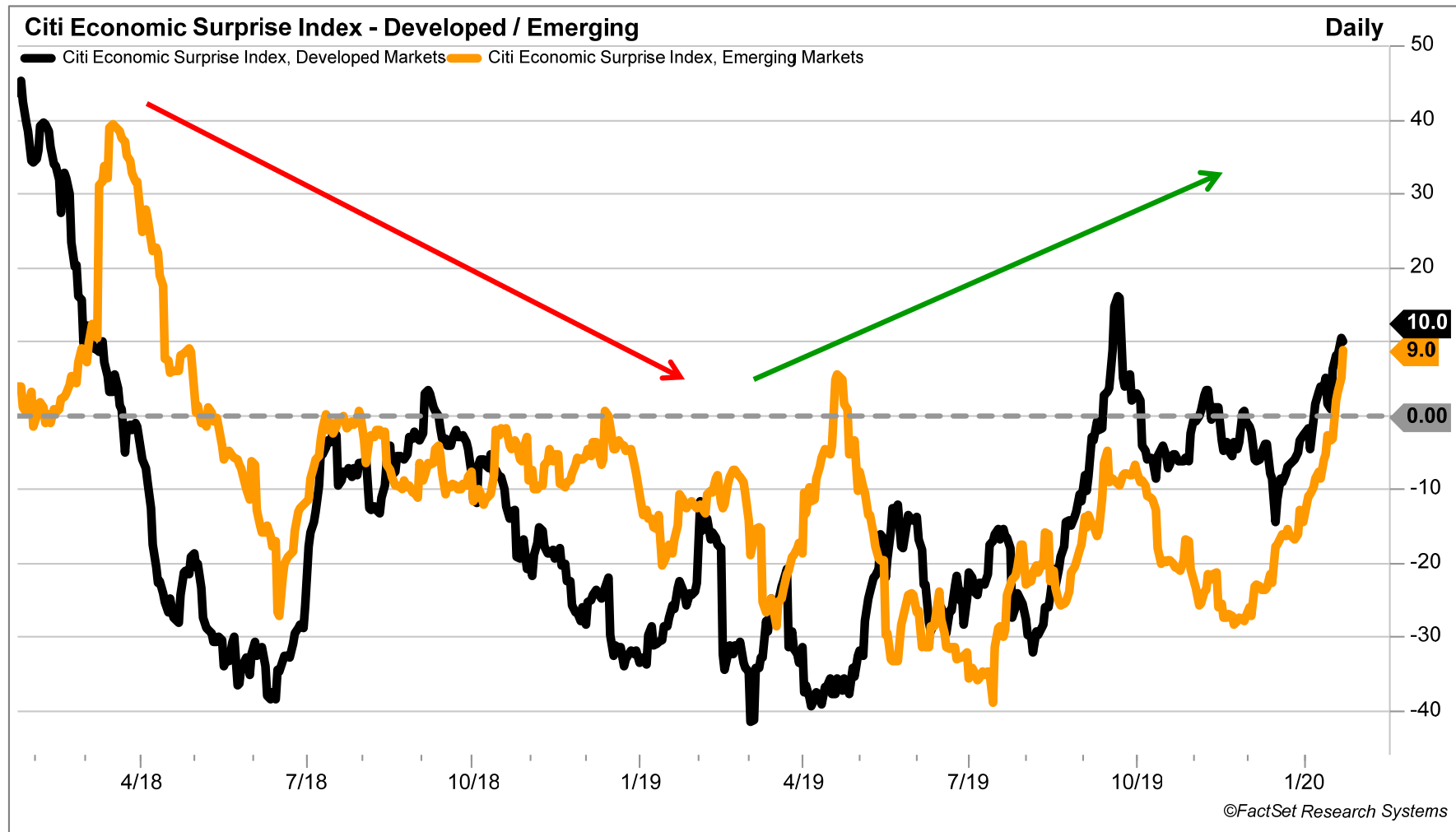
Strength of Conviction	Chg	Negative	Neutral	Positive	Rationale
Business Cycle					Capital spending remains weak and trade tensions remain elevated. Consumption in US is firm, low unemployment, improving housing.
Financial Conditions					Central Banks have supported financial conditions but rates are likely "on hold". Fiscal spending in US and Asia, needed in Europe.
Relative Preference	Chg	Neutral			Rationale
Asset Class		Bonds		Stocks	Growth concerns have eased somewhat, allowing yields to drift higher. Expectations for accelerating profit growth may be optimistic.
Economic Sensitivity		Defensive		Cyclical	Weak global growth keeps a lid on cyclical profit growth, but defensive sectors remain expensive. Stocks are story specific.
Credit Quality		Sovereign		Credit	Credit spreads are extremely tight across the board and bonds are too expensive relative to weak economic growth outlook.
Duration Profile		Short Maturity		Long Maturity	Yield curve has been getting steeper as growth concerns have been abating. Benchmark duration is very long.
Commodities		Below Weight		Above Weight	Some demand destruction associated with global slowdown. OPEC appears dedicated to production levels that support price of oil.
Cash		Below Weight		Above Weight	Federal Reserve is likely to be "on hold" through election cycle. Rate change will require significant change in growth or inflation data.

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

Improvements in Global Economic Data

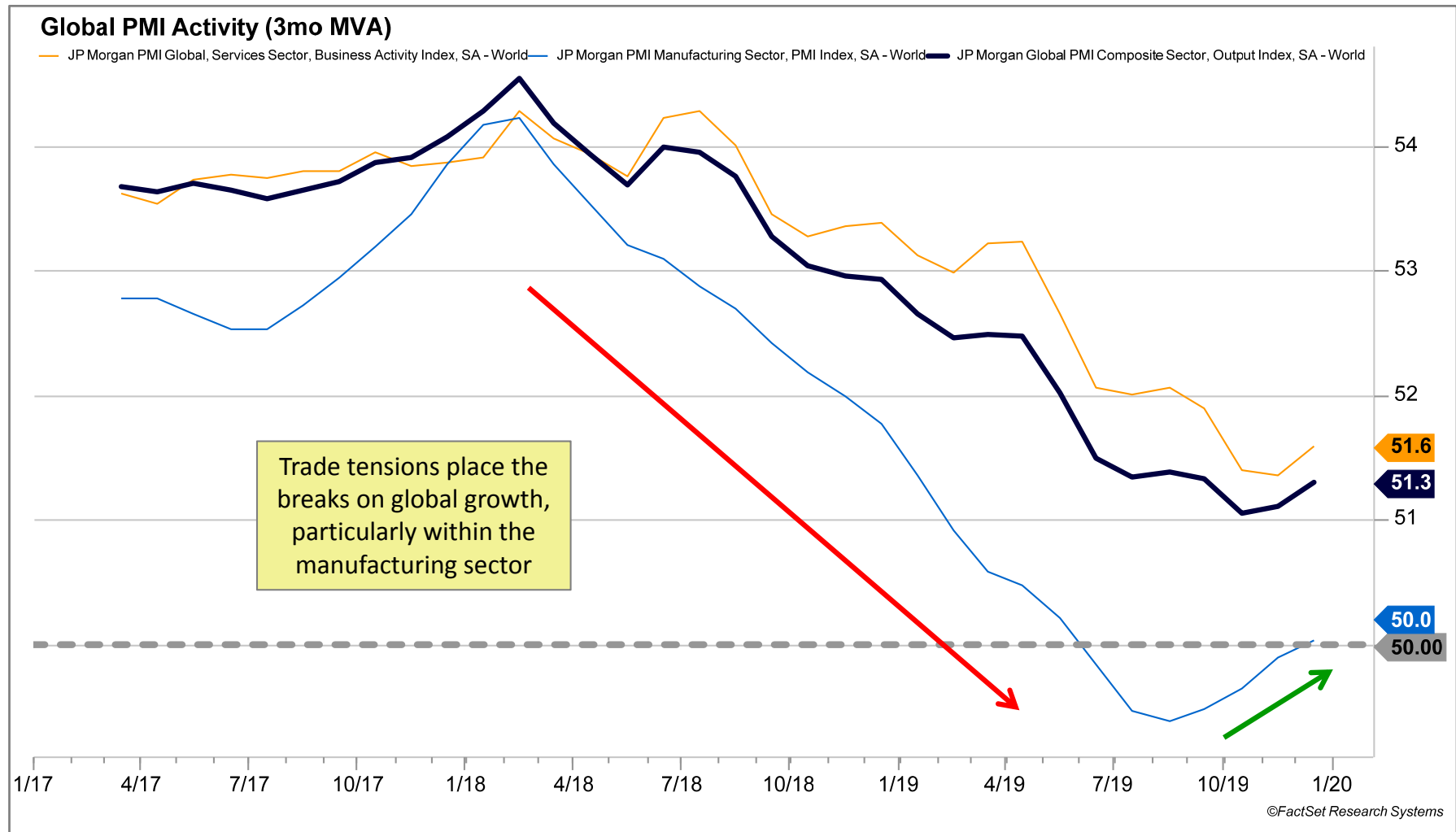
- During 2018, financial markets followed the path of economic uncertainty lower (red arrow). Economic data in emerging markets and developed markets experienced habitual disappointment.
- The reversal of fortunes for financial markets during 2019 were stimulated by the bottoming of sentiment and the improvements within economic indicators in recent months (green arrow).



Observation #2

Leading Economic Activity Index Turns Higher

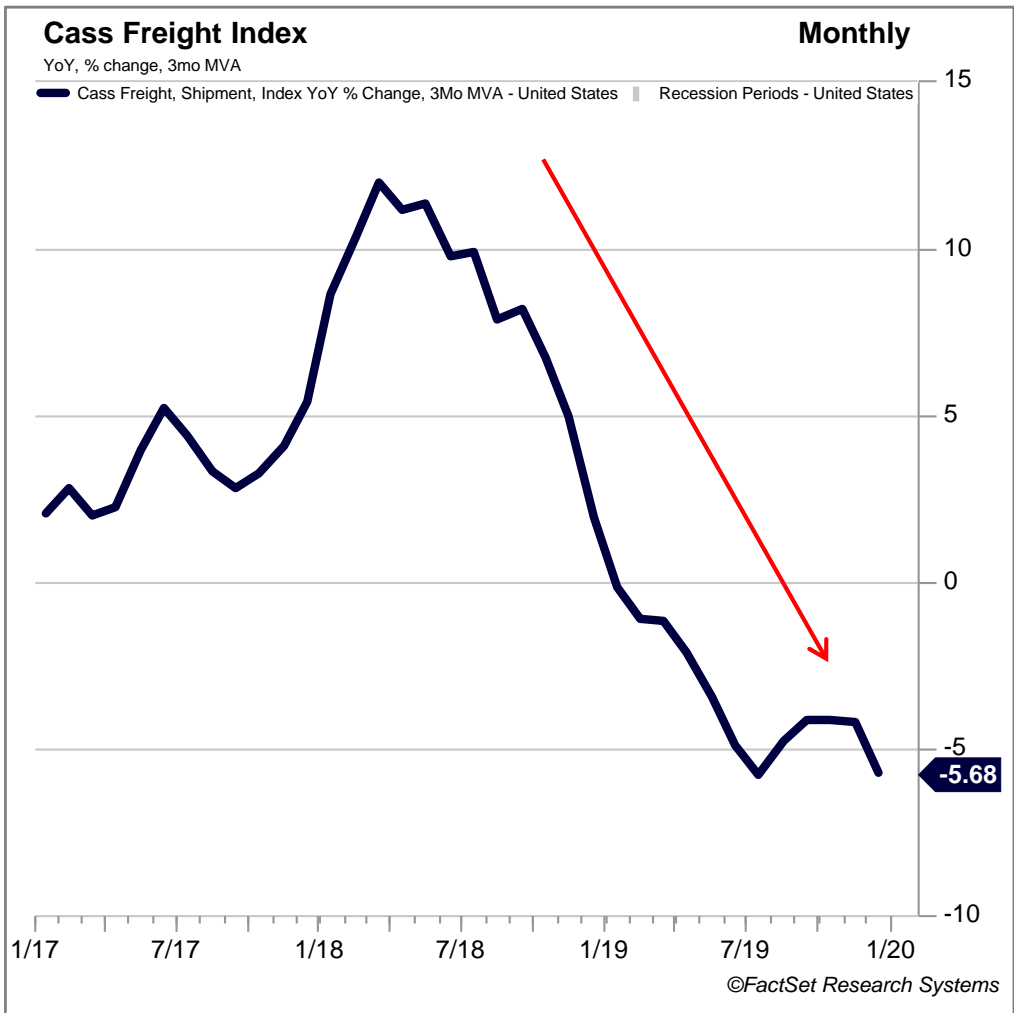
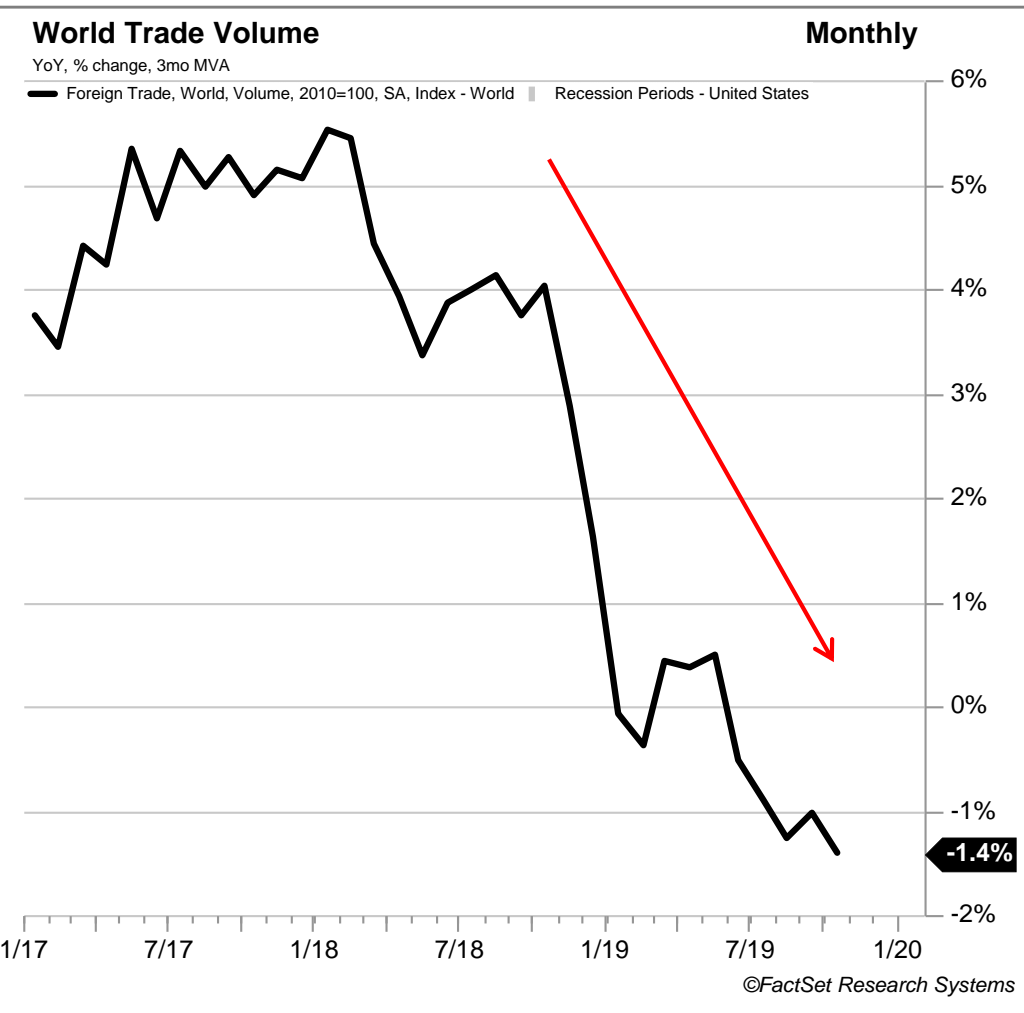
- The monthly Purchasing Manager Indexes provide a leading indicator view into the Manufacturing (light blue line) and Services (gold line) sectors of the global economy.
- Using the 3 month moving average to smooth out the monthly data, it appears that the slowing growth profile of 2018 has transitioned to improving conditions as we exit 2019.



Observation #3

Global Trade Remains Anemic

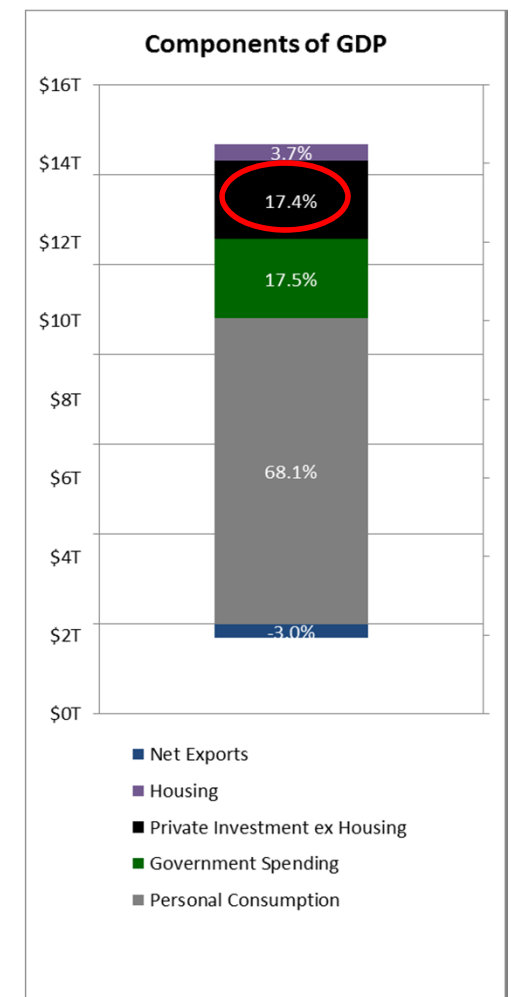
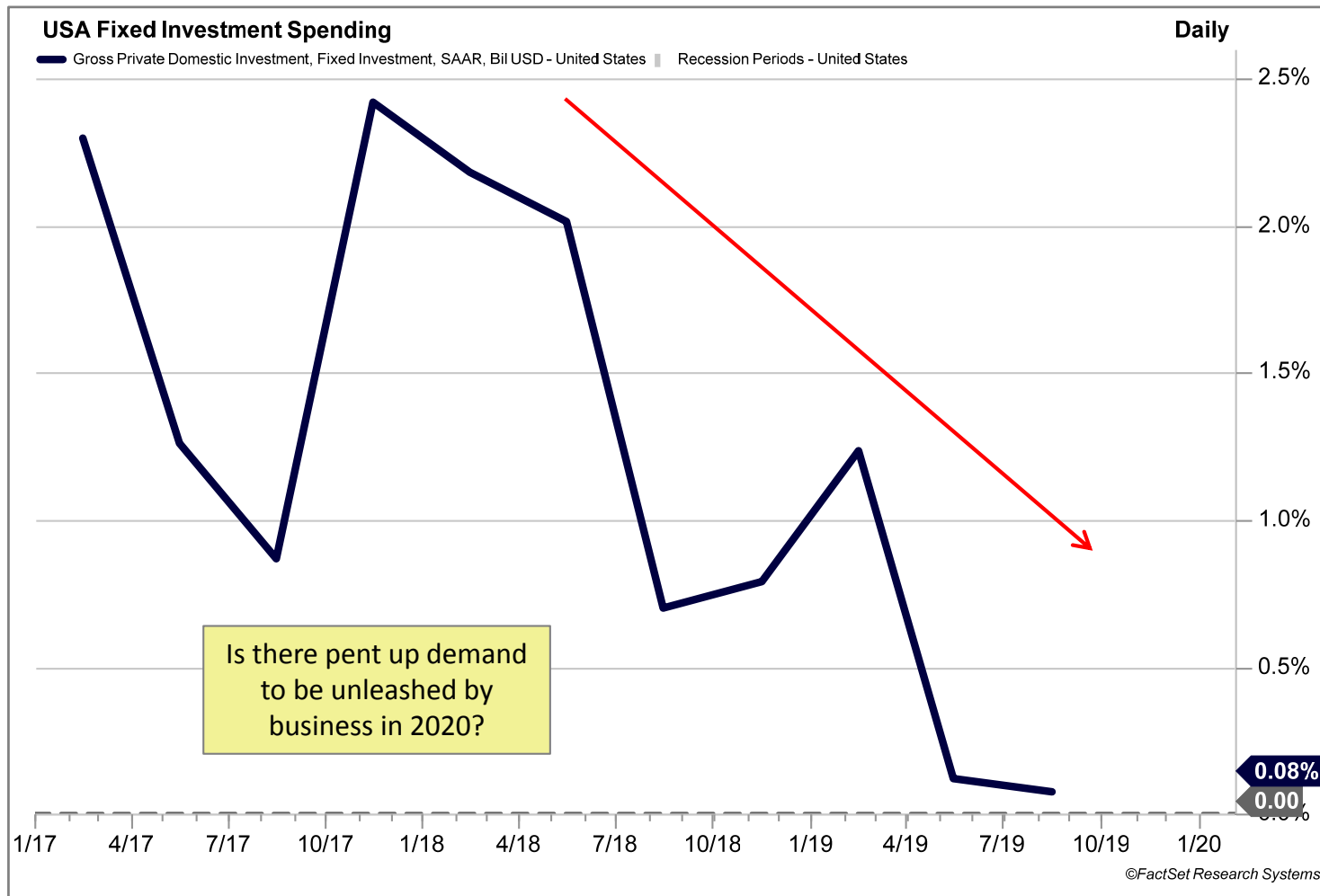
- Global trade is a significant contributor to economic growth, particularly for those countries that rely on the export of goods and services. The German economy is particularly vulnerable to slowing export.
- Trade volume has yet to turn the corner from its decline, but the improvements to the PMI activity index (Observation #2) provide hope that trade volumes may soon follow.



Observation #4

Trade Tensions Damage Business Confidence

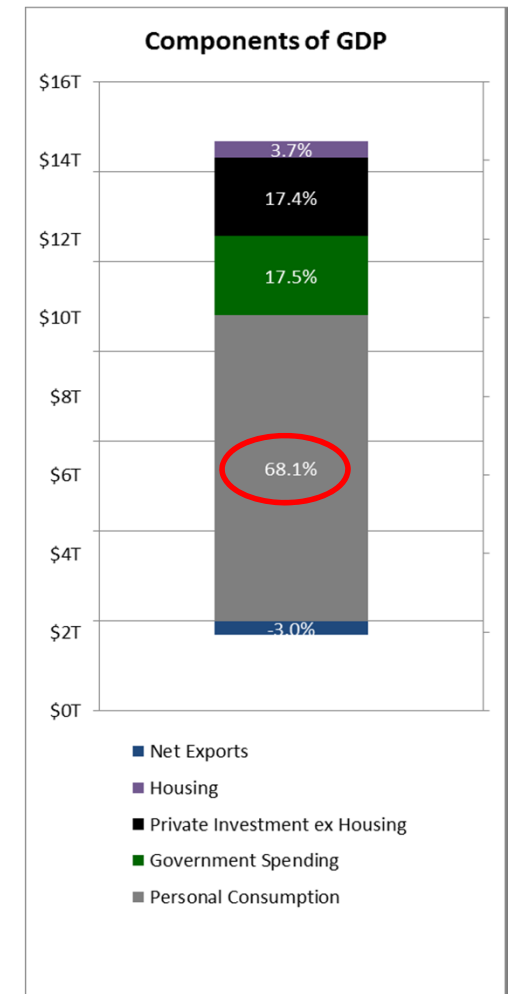
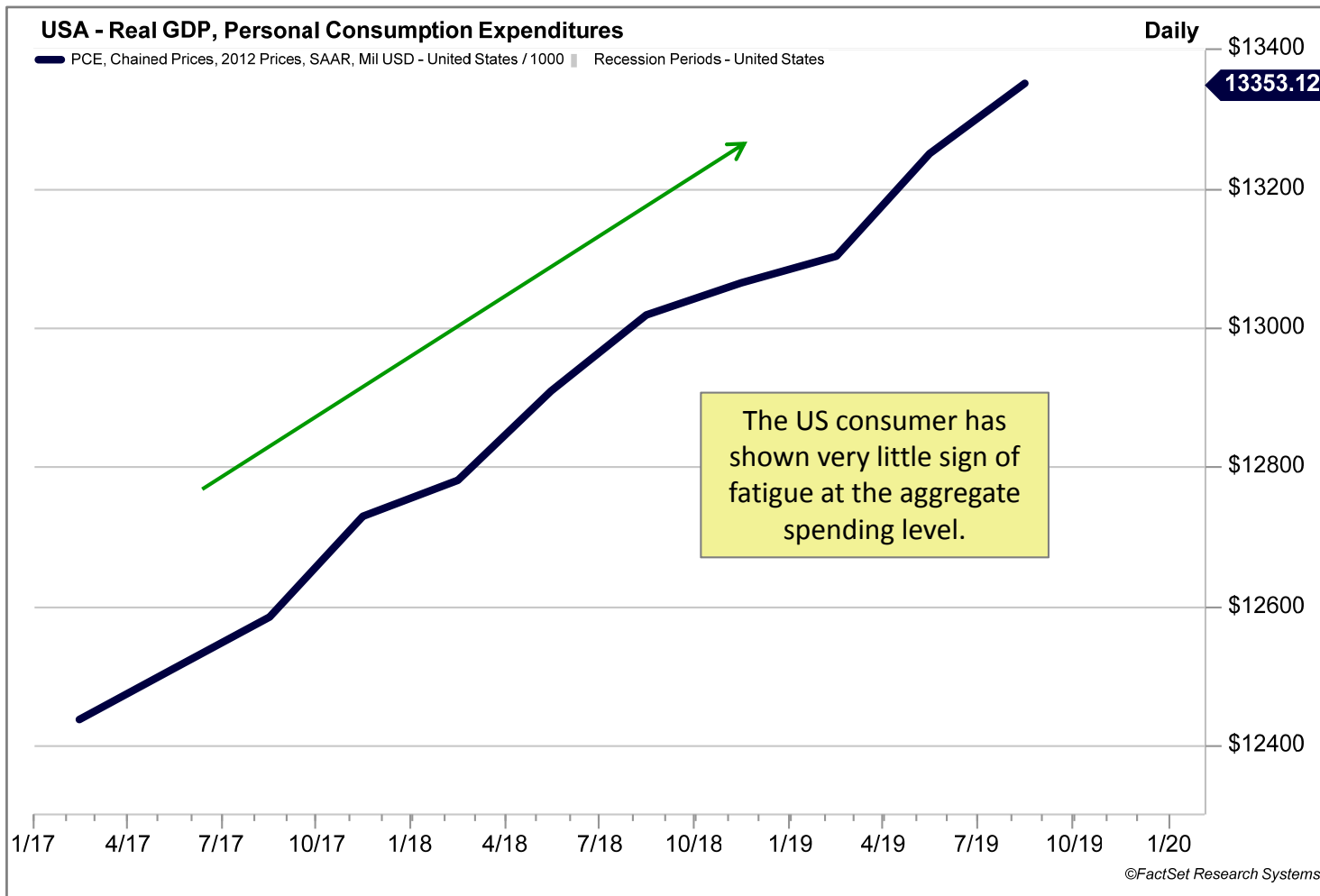
- The uncertainty created by trade tensions and the rapid deceleration of global trade volumes combine to reduce the appetite for investment by the business community.
- As a meaningful contributor to the US economy (red circle), a rebound in business investment will be an important determinant in the rate of GDP growth in 2020.



Observation #5

Consumer Leads The Way

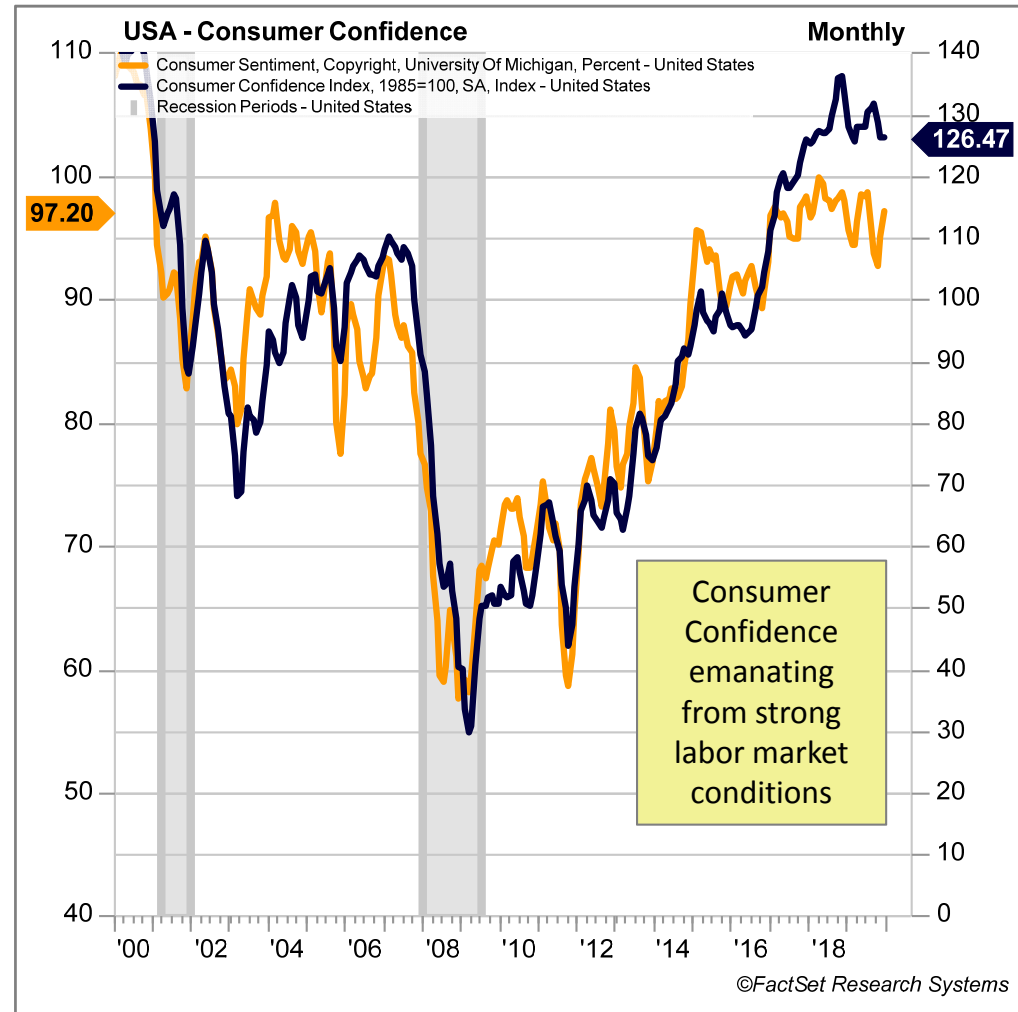
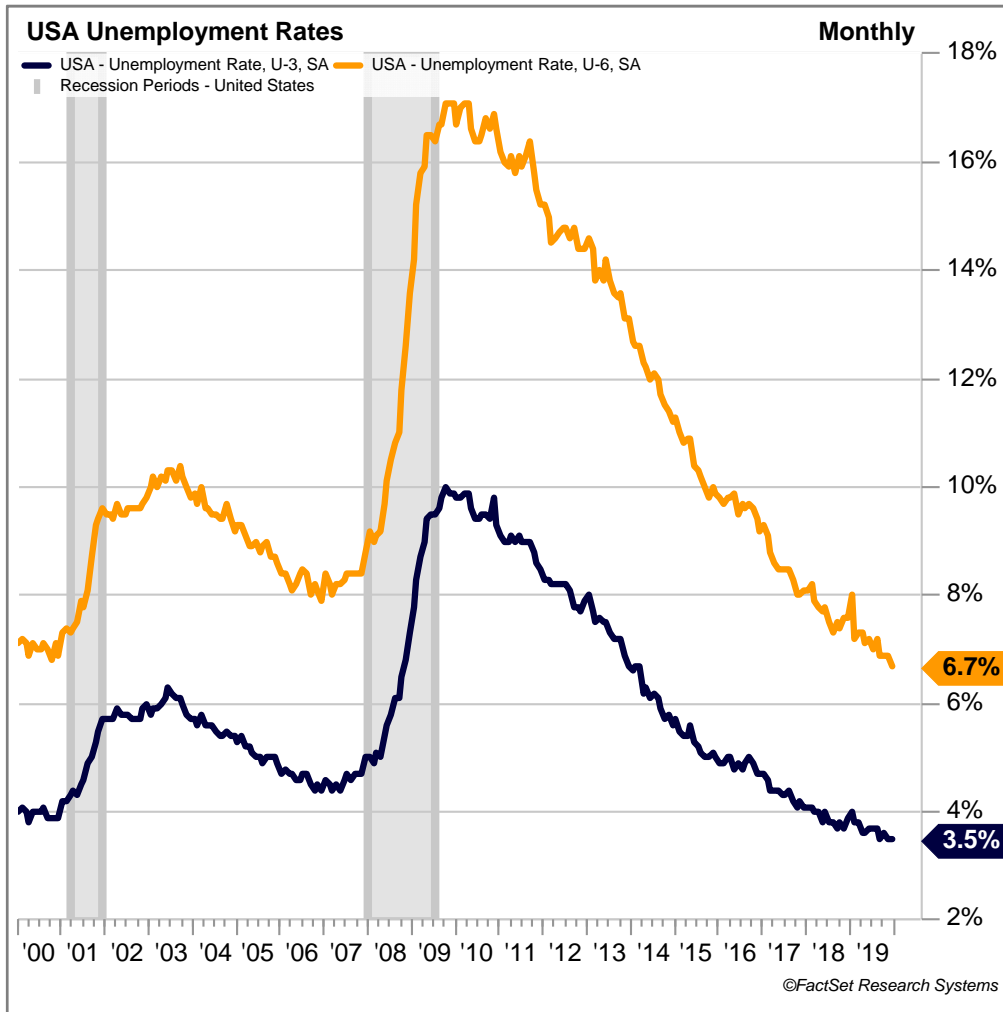
- The US consumer is the dominant contributor to economic growth (red circle) and the impact of the expenditures are global in reach.
- Trade tensions, geopolitical bluster, and political theatre in Washington are merely noise and temporary distraction to a consumer with a steady paycheck and appetite to spend.



Observation #6

Paychecks Drive Confidence

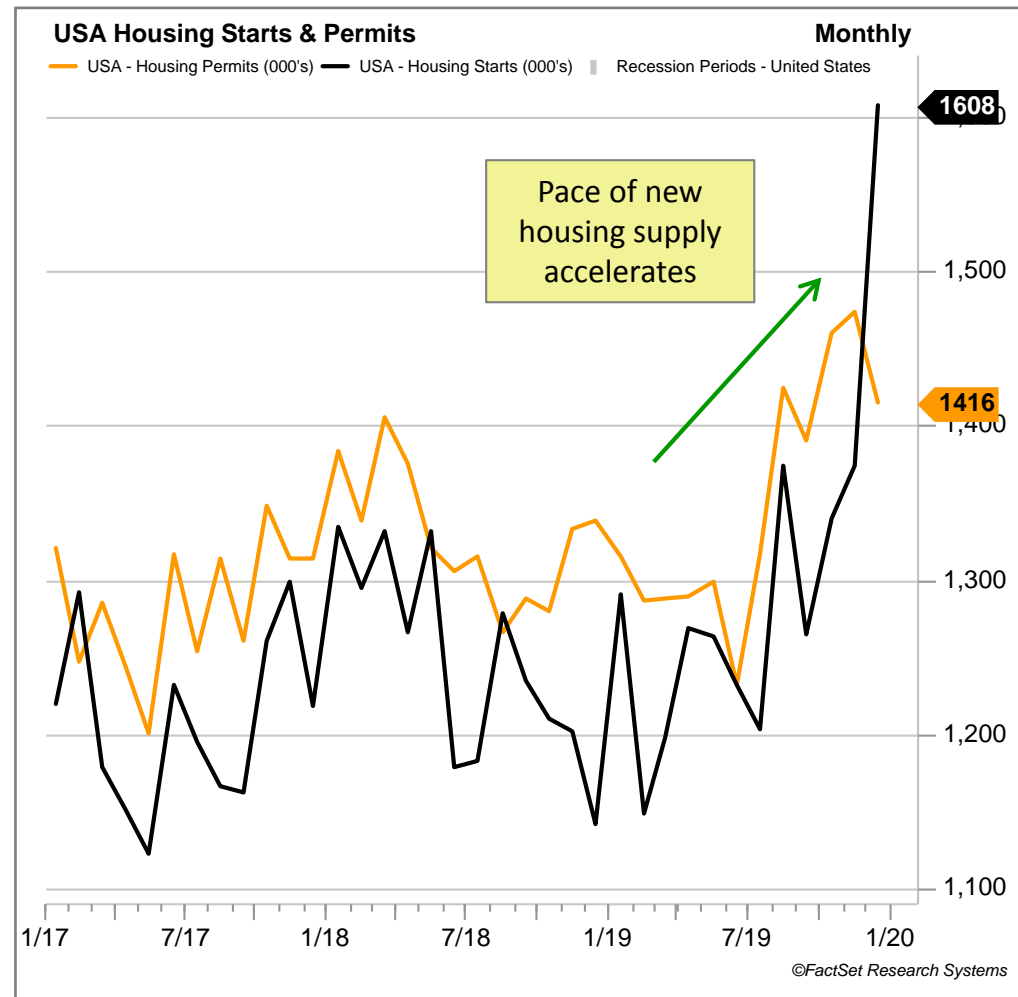
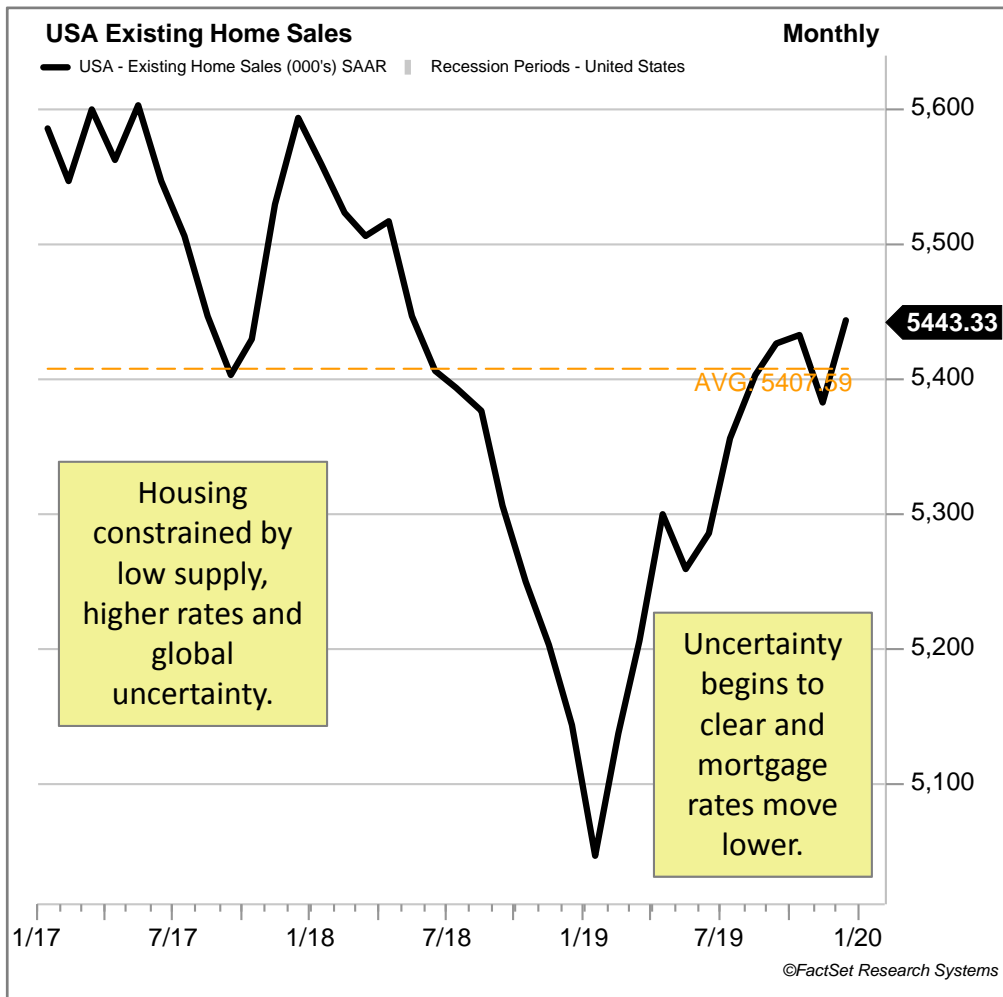
- The US economy continues to generate jobs, an average of 200,000 per month over the past five years, pushing unemployment rates to extraordinary lows and encouraging broader participation.
- As the employment levels tighten and wages rise, consumers become increasingly confident and tend to spend on larger ticket items more freely.



Observation #7

Confidence Drives Housing

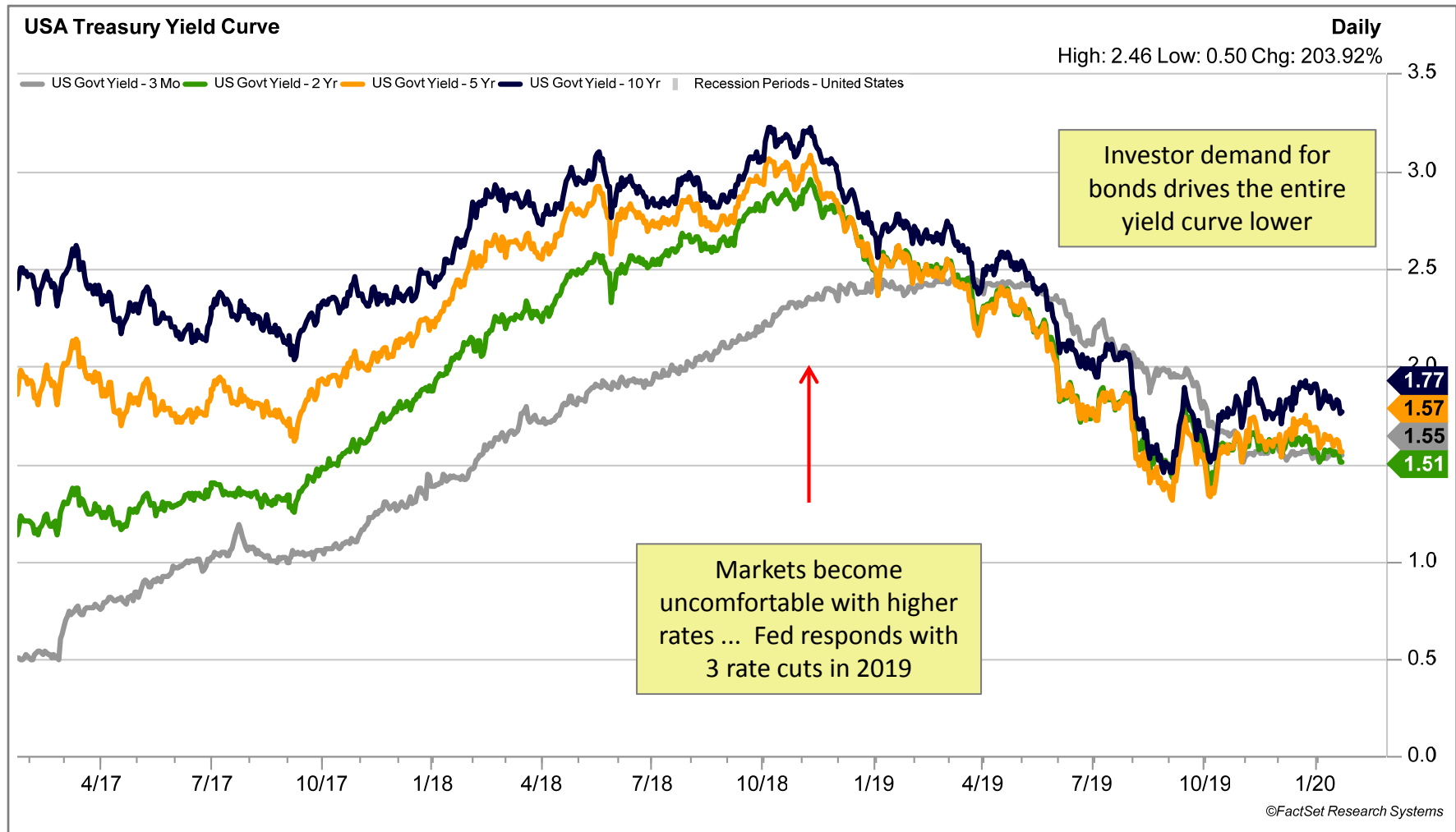
- The US Housing market has been in a slow recovery since its collapse over a decade ago. It is driven by a variety of factors, including family formations, affordability, mortgage rates, supply and confidence.
- Housing was not immune to the uncertainty that plagued the broader economy in 2018, but the sector has rebounded with exceptional strength in recent months.



Observation #8

Addicted to Low Rates

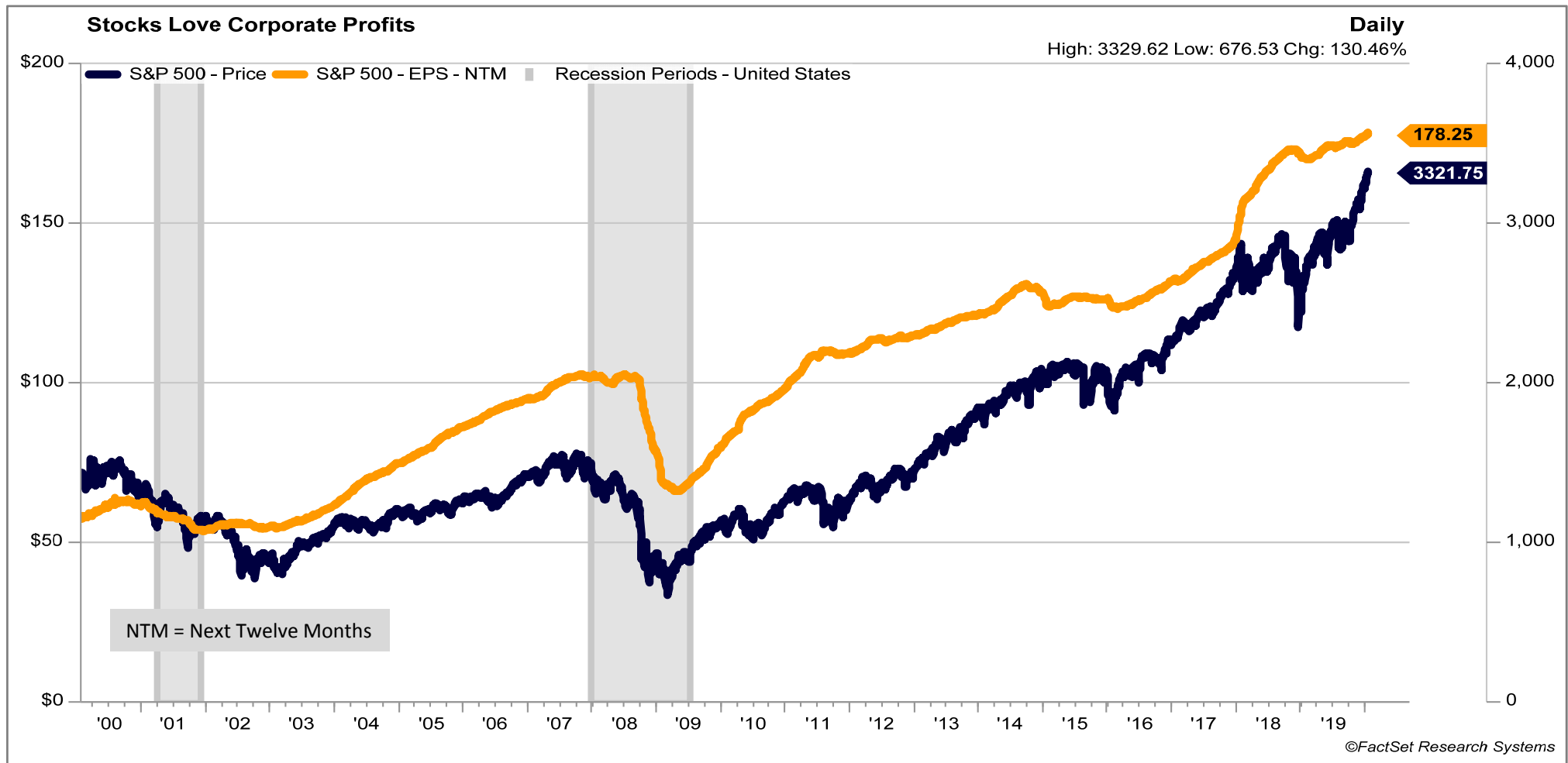
- The 'Age of the Central Banker' and their support of financial asset prices, has made investors very sensitive to small changes in the cost of capital.
- The Fed's reversal of monetary policy during 2019, by cutting rates and increasing the size of its balance sheet, provided significant support to financial markets and the "risk on" trade.



Observation #9

Profit Expectations Drive Stocks

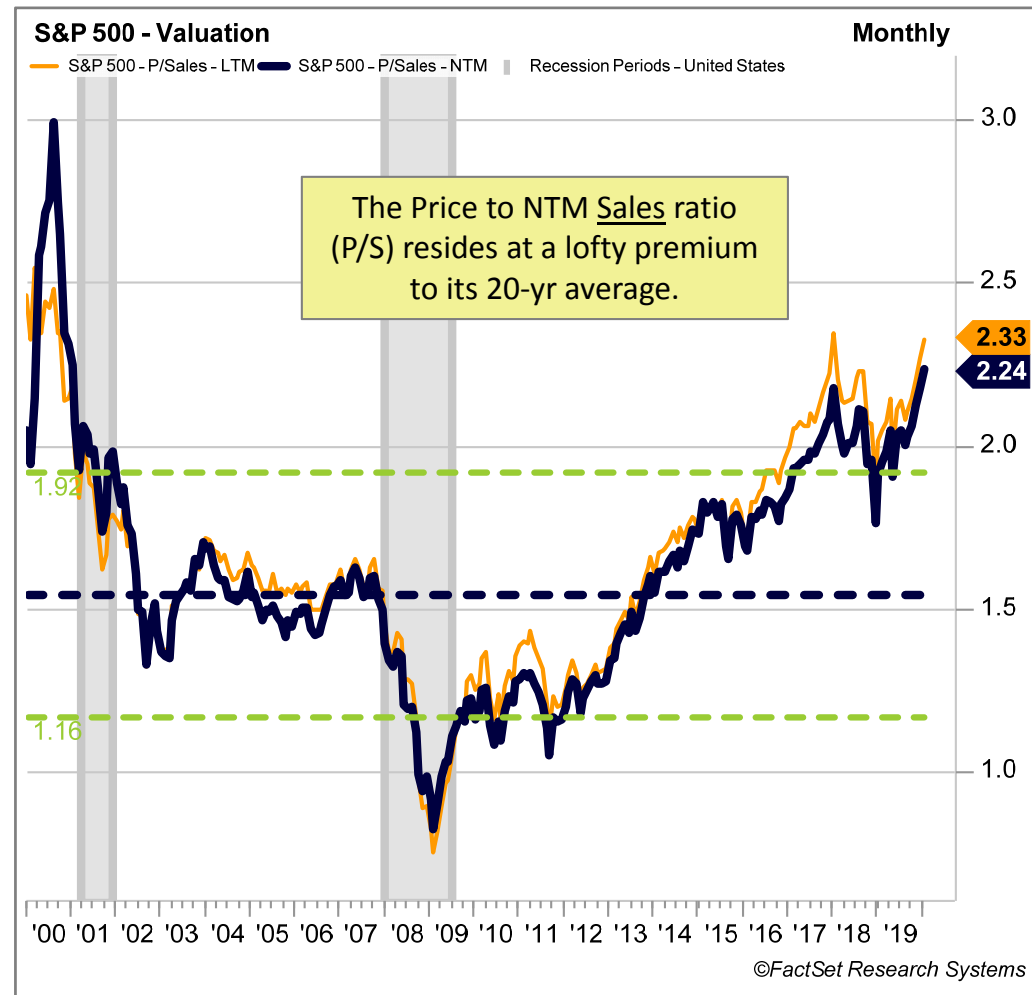
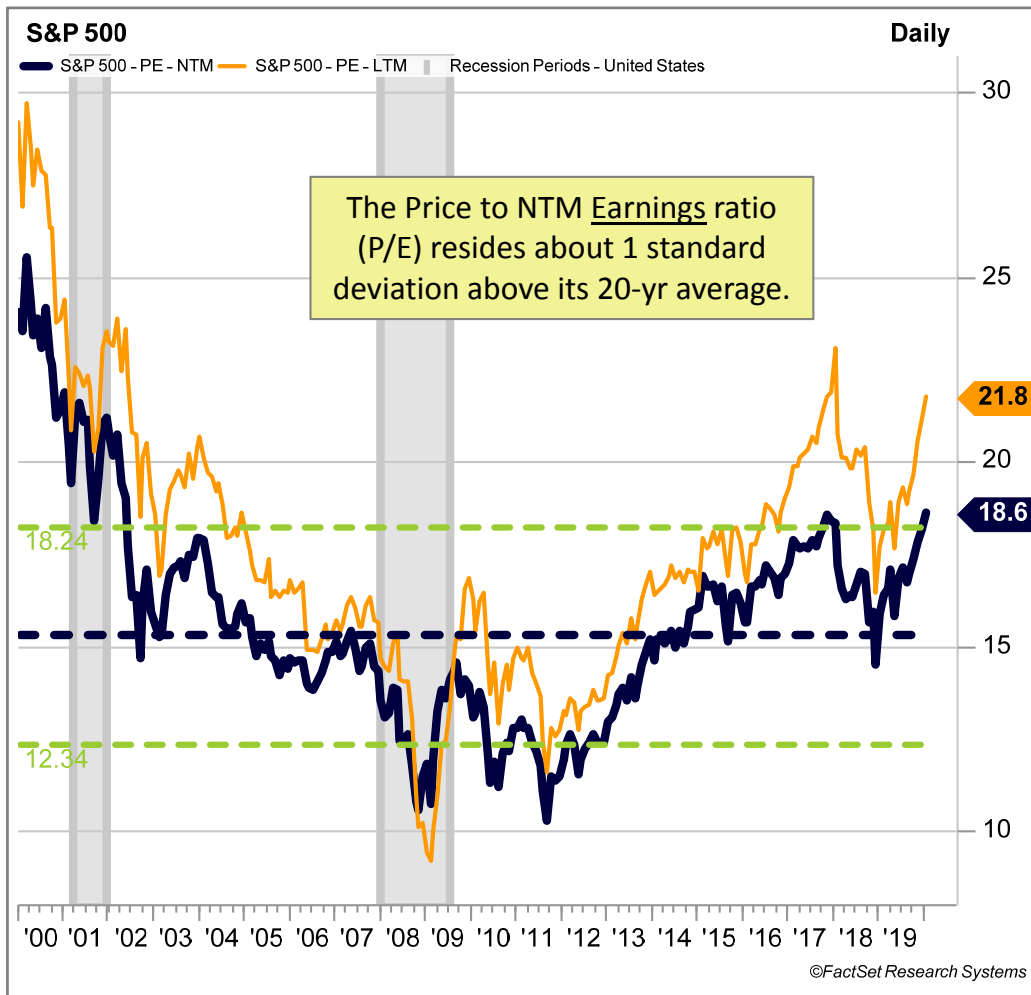
- Business Activity from the Goods Producing and Services Providing segments of the global economy will determine the path for profits.
- If investors expect the trajectory for profits (gold line) to move higher, then stock prices (blue line) are likely to follow, but investors must be aware of the risk to stocks if profits stall.



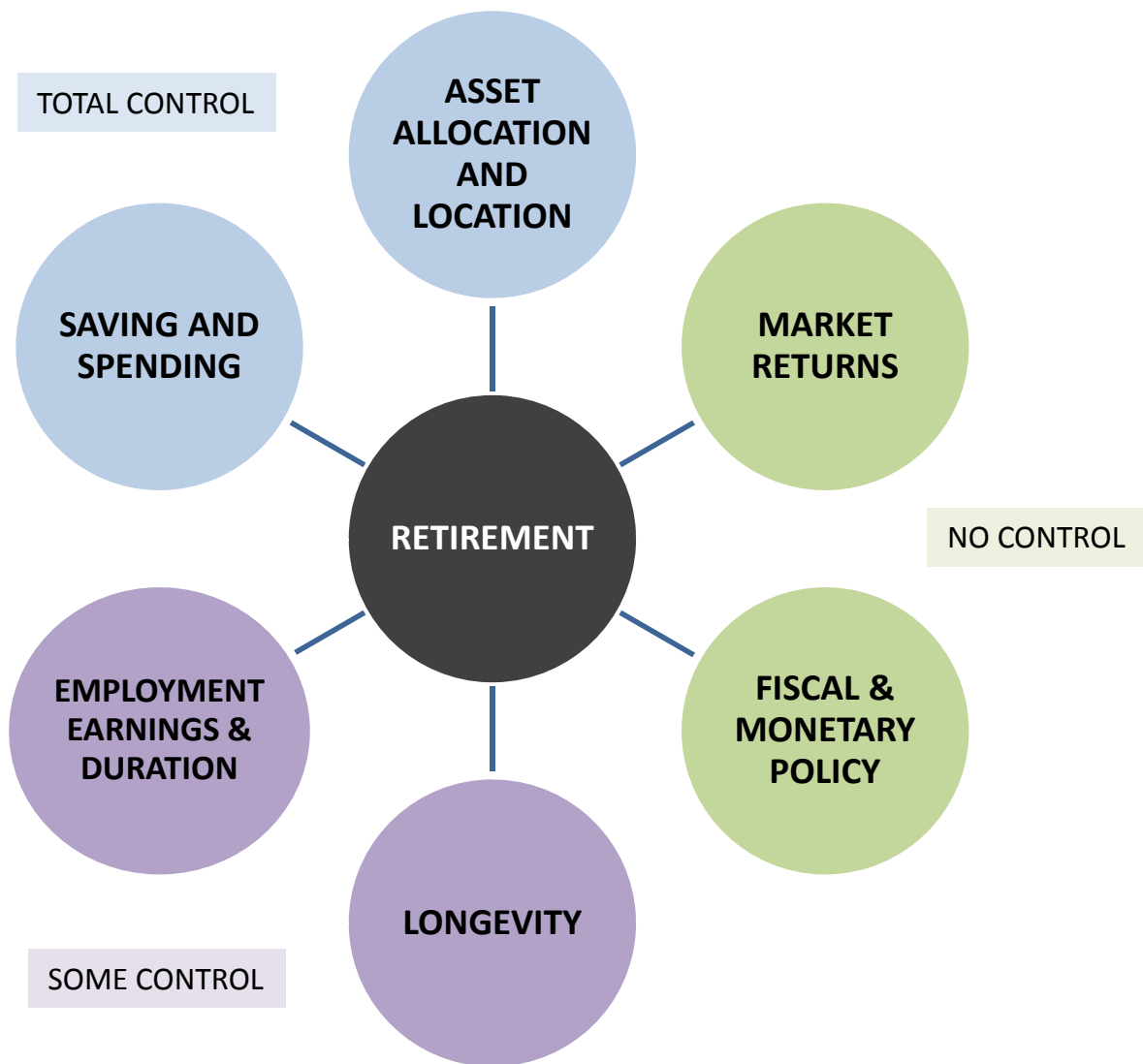
Observation #10

Stock Prices Reflect A lot of Good News

- If profits rise in 2020, they should serve to support stock prices. But the starting valuation should give investors pause. Stock valuations are not outrageous, but they are well above their long-term averages.
- If the risk-free rate used to value financial assets is set to remain “lower for longer”, as the market now expects, then valuations are likely to remain elevated relative to their history.



Control Your Retirement



A SOUND RETIREMENT PLAN

Make the most of the things that you can control.

Select the Investment Advisor that is best positioned to evaluate the factors that are somewhat or completely out of your control.

Review the results with your Investment Advisor at least annually.

JP Morgan Asset Management "Guide to Retirement"

Disclosure

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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.

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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.

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