

## **LUTHER KING CAPITAL MANAGEMENT**

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April 18, 2019

Ms. Melanie Bell  
Executive Vice President  
AAPL  
800 Fournier Street  
Fort Worth, TX 76102

Dear Melanie:

Enclosed with this letter you will find the American Association of Professional Landman investment appraisals for the period ending March 31, 2019. This includes a listing of current holdings, recent transactions, asset mix, dividends, and portfolio yield. The summary page following delineates pertinent financial data for each portfolio.

The first quarter of 2019 showed a sharp recovery in security prices after the contraction in valuations during the fourth quarter of last year. The total return for stocks was the best first quarter in over twenty years. Investor concerns which caused the dramatic stock market decline in the latter part of 2018 focused on concerns for higher interest rates, fears over an expanded trade war, and the potential for a sharp deceleration in corporate profit growth during calendar 2019. As indicated in our yearend letter, we felt the economy was likely to continue growing at a reasonable rate during 2019 despite the government shutdown and weather-related sluggish first quarter and this continues to be our view. Federal Reserve comments now suggest limited interest rate increases during 2019 and the trade issues appear to be close to a reasonable agreement. While corporate profits will likely show a significantly lower growth rate than the heavily tax influenced 22% gains of 2018, we feel further progress will be shown after the first quarter. It is not our opinion the economy is likely to enter a recession during 2019 or early 2020.

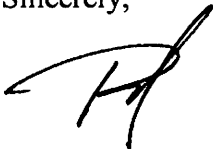
As we outlined in our previous quarterly letter, stock market valuations were sharply compressed due to the significant correction late last year and the overall market entering this year was somewhat inexpensive relative to other periods of low inflation and interest rates, particularly when corporate profits were moving higher. The economy grew last year at the best real Gross Domestic Product rate (2.9%) since 2005 and we anticipate similar levels of growth in the second half of this year.

With unemployment at 50-year lows and inflation at modest levels this appeared to us to be a period of limited risk of owning publicly traded securities after the fourth quarter correction. Our analytical team meets with hundreds of companies annually and the tone of management continues to be positive. Certainly there are issues that need to be dealt with, including wage pressure and rising shipping costs but the indication is those can be managed as the economic cycle matures. The companies you own are well financed and have been aggressive in returning capital back to shareholders in the form of dividend increases and share buybacks. The dividend increases from your stock holdings averaged approximately 8% during the last year, well above the rate of inflation.

Stock market corrections are not pleasant to endure but they do occur during long bull markets with some regularity, typically as a result of concerns around Federal Reserve policy and we believe the fourth quarter was a good example. Our investment approach is to be an investor in above-average positioned companies and they are not immune from these sell-offs as was shown by the fourth quarter. The sharp recovery of the first quarter is also fairly typical when these concerns prove to be overstated. Certainly the momentum of the first quarter is unlikely to continue for the full year but we feel current valuations allow for some continued progress over the next year and at this point we are constructive.

As always, we welcome your questions and comments. We have enclosed our "First Quarter 2019 Review," which we are happy to discuss with you. Please feel free to contact any member of our organization to discuss current holdings, our strategy, or to elaborate on any of this material. As always, we appreciate your continued confidence in our firm.

Sincerely,



Paul W. Greenwell  
Vice President-Principal

PWG/tlm  
Enclosures

cc: Mr. Harold Carter  
Mr. Don Clark  
Ms. Amanda Johnson

**AAPL LANDMAN  
INVESTMENT PORTFOLIOS  
March 31, 2019**

**ASSET ALLOCATION**

	<b>Market Value</b>	<b>Equities</b>	<b>% of Portfolio</b>	<b>Fixed Income</b>	<b>% of Portfolio</b>
AAPL Operating Cash Custody	\$28,047,103	\$ 20,368,044	72.6	\$6,113,740	21.8
AAPL Education Foundation Revocable Trust	4,086,994	3,012,590	73.7	812,733	19.9
Landman Scholarship Trust	7,371,375	5,351,049	72.6	1,614,951	21.9

**INVESTMENT PERFORMANCE\***

	<b>FIRST QUARTER</b>			<b>YEAR-TO-DATE</b>		
	<b>Total Portfolio (01/01/19 - 03/31/19)</b>	<b>Equities Only (01/01/19 - 03/31/19)</b>	<b>Standard &amp; Poor's 500 Index (01/01/19 - 03/31/19)</b>	<b>Total Portfolio (01/01/19 - 03/31/19)</b>	<b>Equities Only (01/01/19 - 03/31/19)</b>	<b>Standard &amp; Poor's 500 Index (01/01/19 - 03/31/19)</b>
AAPL Operating Cash Custody	11.6 %	15.7 %	13.7 %	11.6 %	15.7 %	13.7 %
AAPL Education Foundation Revocable Trust	11.4	15.5	13.7	11.4	15.5	13.7
Landman Scholarship Trust	11.2	14.9	13.7	11.2	14.9	13.7

*\* Investment performance results are gross of investment management fees and include realized and unrealized gains and losses and dividends and interest.*

Luther King Capital Management

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Quarterly Statement

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# AAPL Operating Cash Custody

## Quarterly Statement: 03/31/2019

This statement has been prepared by Luther King Capital Management and provides important information regarding your portfolio for the period indicated. We encourage you to compare account statements that you receive from us with account statements that you receive from your custodian.

Please contact us at (817) 332-3235 if you are not receiving account statements directly from your custodian or if you have any questions regarding your account statement.

## AAPL Operating Cash Custody

## Summary of Investments

	Total Cost	Market Value	% of Total Portfolio	Est. Annual Income	Current Yield %
<b>Cash Equivalents</b>					
CASH INSTRUMENTS	1,565,319.47	1,565,319.47	5.6	35,079	2.2
<b>Total Cash Equivalents</b>	<b>1,565,319.47</b>	<b>1,565,319.47</b>	<b>5.6</b>	<b>35,079</b>	<b>2.2</b>
<b>Equities</b>					
COMMUNICATION SERVICES	512,764.40	846,324.00	3.0	21,420	2.5
CONSUMER DISCRETIONARY	1,721,769.68	3,375,436.00	12.0	53,854	1.6
CONSUMER STAPLES	605,326.74	783,502.50	2.8	22,497	2.9
ENERGY	1,506,139.07	1,417,780.50	5.1	44,406	3.1
FINANCIALS	1,785,281.77	2,788,183.00	9.9	82,886	3.0
HEALTH CARE	1,331,553.39	4,521,301.00	16.1	46,874	1.0
INDUSTRIALS	1,513,224.05	2,915,731.07	10.4	50,118	1.7
INFORMATION TECHNOLOGY	1,471,823.31	2,703,375.00	9.6	21,692	0.8
MATERIALS	486,399.23	990,540.00	3.5	15,120	1.5
<b>Total Equities</b>	<b>10,934,281.64</b>	<b>20,342,173.07</b>	<b>72.5</b>	<b>358,867</b>	<b>1.8</b>
<b>Fixed Income</b>					
MUTUAL FUNDS - BONDS	6,056,644.86	6,113,739.98	21.8	151,644	2.5
<b>Total Fixed Income</b>	<b>6,056,644.86</b>	<b>6,113,739.98</b>	<b>21.8</b>	<b>151,644</b>	<b>2.5</b>
<b>TOTAL INVESTMENTS</b>	<b>\$18,556,245.97</b>	<b>\$28,021,232.52</b>	<b>99.9%</b>	<b>\$545,590</b>	<b>1.9%</b>
Accrued Interest		0.00	0.0		
Accrued Dividends		25,870.50	0.1		
<b>TOTAL PORTFOLIO</b>		<b>\$28,047,103.02</b>	<b>100.0%</b>		

**Luther King Capital Management**

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**Quarterly Statement**

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**AAPL Education Foundation Revocable Trust**  
**Quarterly Statement: 03/31/2019**

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## AAPL Education Foundation Revocable Trust

## Summary of Investments

	Total Cost	Market Value	% of Total Portfolio	Est. Annual Income	Current Yield %
<b>Cash Equivalents</b>					
CASH INSTRUMENTS	261,671.58	261,671.58	6.4	5,864	2.2
<b>Total Cash Equivalents</b>	<b>261,671.58</b>	<b>261,671.58</b>	<b>6.4</b>	<b>5,864</b>	<b>2.2</b>
<b>Equities</b>					
COMMUNICATION SERVICES	61,543.74	89,343.60	2.2	3,060	3.4
CONSUMER DISCRETIONARY	297,027.74	530,100.75	13.0	7,947	1.5
CONSUMER STAPLES	73,440.88	92,490.00	2.3	2,716	2.9
ENERGY	267,577.02	252,724.00	6.2	7,892	3.1
FINANCIALS	276,146.95	415,095.00	10.2	12,336	3.0
HEALTH CARE	247,570.78	671,759.00	16.4	7,855	1.2
INDUSTRIALS	265,337.81	407,304.25	10.0	7,696	1.9
INFORMATION TECHNOLOGY	239,247.14	411,761.50	10.1	3,556	0.9
MATERIALS	73,893.05	138,203.00	3.4	1,960	1.4
<b>Total Equities</b>	<b>1,801,785.11</b>	<b>3,008,781.10</b>	<b>73.6</b>	<b>55,017</b>	<b>1.8</b>
<b>Fixed Income</b>					
MUTUAL FUNDS - BONDS	812,663.68	812,732.77	19.9	20,159	2.5
<b>Total Fixed Income</b>	<b>812,663.68</b>	<b>812,732.77</b>	<b>19.9</b>	<b>20,159</b>	<b>2.5</b>
<b>TOTAL INVESTMENTS</b>	<b>\$2,876,120.37</b>	<b>\$4,083,185.45</b>	<b>99.9%</b>	<b>\$81,040</b>	<b>2.0%</b>
Accrued Interest		0.00	0.0		
Accrued Dividends		3,808.75	0.1		
<b>TOTAL PORTFOLIO</b>		<b>\$4,086,994.20</b>	<b>100.0%</b>		

Luther King Capital Management

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Quarterly Statement

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# Landman Scholarship Trust

## Quarterly Statement: 03/31/2019

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## Landman Scholarship Trust

## Summary of Investments

	Total Cost	Market Value	% of Total Portfolio	Est. Annual Income	Current Yield %
<b>Cash Equivalents</b>					
CASH INSTRUMENTS	405,375.73	405,375.73	5.5	9,084	2.2
<b>Total Cash Equivalents</b>	<b>405,375.73</b>	<b>405,375.73</b>	<b>5.5</b>	<b>9,084</b>	<b>2.2</b>
<b>Equities</b>					
COMMUNICATION SERVICES	120,892.70	188,080.80	2.6	5,508	2.9
CONSUMER DISCRETIONARY	493,258.04	947,596.00	12.9	14,517	1.5
CONSUMER STAPLES	174,166.95	218,045.00	3.0	6,376	2.9
ENERGY	454,477.18	430,469.50	5.8	14,142	3.3
FINANCIALS	452,157.44	686,063.88	9.3	20,030	2.9
HEALTH CARE	416,165.88	1,219,771.00	16.5	14,159	1.2
INDUSTRIALS	404,112.50	689,796.50	9.4	13,146	1.9
INFORMATION TECHNOLOGY	376,388.41	717,984.75	9.7	5,640	0.8
MATERIALS	123,325.26	246,490.00	3.3	3,848	1.6
<b>Total Equities</b>	<b>3,014,944.36</b>	<b>5,344,297.43</b>	<b>72.5</b>	<b>97,366</b>	<b>1.8</b>
<b>Fixed Income</b>					
MUTUAL FUNDS - BONDS	1,663,163.60	1,614,950.96	21.9	40,057	2.5
<b>Total Fixed Income</b>	<b>1,663,163.60</b>	<b>1,614,950.96</b>	<b>21.9</b>	<b>40,057</b>	<b>2.5</b>
<b>TOTAL INVESTMENTS</b>	<b>\$5,083,483.69</b>	<b>\$7,364,624.12</b>	<b>99.9%</b>	<b>\$146,507</b>	<b>2.0%</b>
Accrued Interest		0.00	0.0		
Accrued Dividends		6,751.25	0.1		
<b>TOTAL PORTFOLIO</b>		<b>\$7,371,375.37</b>	<b>100.0%</b>		

### Fund Facts

**CUSIP:** 501885404  
**Ticker Symbol:** LKFIX  
**Inception Date:** 12/30/1997  
**Minimum Investment:** \$2,000  
**Portfolio Turnover Rate\*** 4%

**Investment Objective:** The Fund seeks current income.  
**Managers:** Joan M. Maynard, Scot C. Hollmann, CFA, CIC, Mark L. Johnson, CFA, CIC  
**Web:** www.lkcmfunds.com  
**Phone:** 1-800-688-LKCM

### LKCM Fixed Income Fund

#### About The Adviser

Luther King Capital Management Corporation was founded in 1979 and provides investment management services to investment companies, employee benefit plans, endowments, foundations, pension and profit sharing plans, trusts, estates, and high net-worth individuals.

#### Portfolio Managers

Joan M. Maynard is the lead portfolio manager of the LKCM Fixed Income Fund and oversees the investment team responsible for the LKCM Fixed Income Fund. Ms. Maynard joined Luther King Capital Management in 1986 and serves as Principal, Vice President and Portfolio Manager.

Scot C. Hollmann, CFA, CIC, is a member of the investment team responsible for the LKCM Fixed Income Fund. Mr. Hollmann joined Luther King Capital Management in 1983 and serves as Principal, Vice President and Portfolio Manager.

Mark L. Johnson, CFA, CIC, is a member of the investment team responsible for the LKCM Fixed Income Fund. Mr. Johnson joined Luther King Capital Management in 2002 and serves as Principal, Vice President and Portfolio Manager.

**Contact us at**  
**1-800-688-LKCM**  
**www.lkcmfunds.com**

### Performance

Returns as of 03/31/19

	Expense Ratio		Average Annual Total Returns Since Incept						
	Net <sup>1</sup>	Gross	3 Month	YTD	1YR	3YR	5YR	10YR	12/30/97
LKCM Fixed Income Fund	0.50%	0.80%	2.76%	2.76%	4.07%	2.16%	1.89%	3.39%	4.22%
Bloomberg Barclays Intern. Gov/Credit Bond Index			2.32%	2.32%	4.24%	1.66%	2.12%	3.14%	4.43%
Lipper Short Intermediate Investment Grade Debt Funds Index			2.11%	2.11%	3.52%	2.09%	1.84%	3.51%	3.88%

Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Fund performance current to the most recent month-end may be lower or higher than the performance quoted and can be obtained by calling 1-800-688-LKCM. The fund imposes a 1.00% redemption fee on shares held less than 30 days, and if reflected, the fee would reduce the performance shown.

#### Top Ten Holdings\*\*

		(% of Net Assets)
Range Resources Corporation	5.00%	08/15/22 2.23%
Danaher Corporation	3.35%	09/15/25 2.14%
Amgen Inc.	2.20%	05/22/19 2.04%
Emerson Electric Co.	3.15%	06/01/25 1.92%
Amazon.com, Inc.	2.50%	11/29/22 1.91%
Celgene Corporation	3.63%	05/15/24 1.85%
Thermo Fisher Scientific, Inc.	4.15%	02/01/24 1.80%
Family Dollar Stores, Inc.	5.00%	02/01/21 1.78%
Trimble Inc.	4.15%	06/15/23 1.76%
CVS Health Corporation	3.32%	03/09/21 1.73%

\*\*Excludes Cash and Equivalents.

The composition of the Fund's holdings and sector weightings are subject to change and are not recommendations to buy or sell any securities.

#### Sector Weightings



#### Fixed Income Quality Distribution

	(% of Net Assets as of 03/31/19)
AA	36.8%
BBB	32.6%
A	22.5%
BB	5.2%
B	1.0%
Non-Rated	0.0%

The fixed income quality distribution uses the Standard and Poor's scale. Bond ratings are expressed as letters ranging from 'AAA', which is the highest grade, to 'C' ("junk"), which is the lowest grade.

#### Portfolio Composition

	(% of Net Assets)
Fixed Income	98.1%
Cash Equivalents	1.9%

\*Fiscal year to date from 1/1/19 to 03/31/19.

The Funds' investment objectives, risks, charges, and expenses must be considered carefully before investing. The Funds' summary and statutory prospectuses contain this and other important information about the Funds. Please read the summary and statutory prospectuses carefully before investing. To obtain a hardcopy, please call 1-800-688-LKCM. Read carefully before investing.

Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities.

<sup>1</sup>Expense ratios above are as December 31, 2017, the Fund's prior fiscal year end, as reported in the Fund's current prospectus. Luther King Capital Management has contractually agreed to waive all or a portion of its management fee and/or reimburse the Fund through May 1, 2019 to maintain designated expense ratios. Investment performance reflects fee waivers in effect. In the absence of such waivers, total return would be reduced. Investment performance for the last quarter is based upon the net expense ratio.

The Bloomberg Barclays U.S. Intermediate Government/Credit Bond Index is an unmanaged market value weighted index measuring both the principal price changes of, and income provided by, the underlying universe of securities that comprise the index. The Lipper Short Intermediate Investment-Grade Debt Funds Index is an unmanaged index generally considered representative of short intermediate investment grade mutual funds tracked by Lipper, Inc. You cannot invest directly in an index.

The Fund is distributed by Quasar Distributors, LLC.

# LUTHER KING CAPITAL MANAGEMENT

## *FIRST QUARTER 2019 REVIEW*

Financial conditions tightened considerably toward the end of last year as the Federal Reserve increased its target interest rate, credit spreads widened and equity prices fell. In response, the global central banks have adopted a dovish outlook for monetary policy which should deter a further deterioration in the outlook for global economic growth. Domestically, the current business cycle is likely to become the longest on record by this summer. The typical business cycle is characterized by an economy moving through a series of stages: early cycle, when growth accelerates strongly following a recession; mid-cycle, as an economy approaches and then exceeds full capacity and growth peaks; and late cycle, as economic growth slows and tightening monetary policy often precipitates a recession. In many aspects, characteristics of the United States economy suggest that we remain in the mid-cycle.

The anticipation of slowing economic growth last year, aggravated in part by trade tensions, was abruptly discounted by the equity market late last year. Contributing to the downdraft was the end-of-year timing which exacerbated tax loss selling. While the global economic growth outlook has been downgraded, there are already signs that improvement may lay ahead. First, the downward trend in the global growth rate has begun to reverse. Second, container shipping rates are beginning to rise, indicating a pickup in the transport of a wide variety of finished goods.

Central banks around the world have noted the deceleration of economic growth and have altered their forward guidance in response. The Federal Reserve has become considerably more accommodative in its recent outlook, dramatically lowering the risk of a policy error in the form of over tightening monetary policy into the teeth of slowing economic growth. The Federal Reserve's indication that it will pause its current pace of four interest rate hikes per year was warmly embraced by the equity market and contributed to one of the best quarterly performance of the Standard & Poor's 500 Index in twenty years.

## *ECONOMY*

In many ways, the current economic landscape is reminiscent of the period from 1994 to 1995. During that period, the Federal Reserve tightened monetary policy considerably from February 1994 through February 1995 - doubling the Federal Funds rate from 3.0% to 6.0%. This monetary tightening contributed heavily to the near recessionary economic growth recorded in early 1995. By July of 1995, the Federal Reserve began to reverse course, cutting interest rates twice before the end of the year. At the time, there was a special investigation surrounding President Clinton and a potential trade war with Japan was brewing as the U.S. threatened to place a 100% tariff on Japanese luxury auto imports. The pivot by the Federal Reserve to dovish monetary policy was central to the reacceleration of economic growth in the back half of 1995 and beyond.

The Federal Reserve's decision to raise its target interest rate by 1.0% to 2.5% over the course of 2018 amidst waning global economic growth and sputtering trade negotiations resulted in a general tightening of financial conditions reflected in higher credit costs. In the wake of the Federal Reserve Chairman Powell's recent remarks, the Federal Reserve intends to cease quantitative tightening by year-end. Additional guidance provided for interest rate increases this year has fallen to zero from two projected as recently as last December. This dovish outlook by the central bank has resulted in a loosening of financial conditions in the first quarter of 2019, which is supportive of equity values.

The key economic question domestically is whether consumer spending and business investment can continue to fuel economic growth as fiscal stimulus fades. Each of these sectors of the economy has demonstrated recent signs of stress. A slump in December retail sales was the largest in a decade but was followed by a rebound in January, as consumer confidence ticked higher and concerns over the government shutdown and equity market receded. Wage growth adjusted for inflation grew 1.4% year/year in February, the greatest pace of growth since late 2010. Business investment accelerated through the first three quarters of last year. However, capital expenditures related to new orders dipped late last year alongside a decline in business confidence driven by concerns over tariffs, the government shutdown, lower energy prices, and rising interest rates. We anticipate a rebound in business investment in 2019, although perhaps not to the levels recorded last year.

Economic growth outside the United States remains weak overall. The European Central Bank recently lowered its forecast for economic growth this year to 1.1% from 1.7% previously. As a result, the European Central Bank held its benchmark refinancing rate at 0% at its March meeting and pushed

out the timing of its first rate hike in nearly eight years to 2020 at the earliest. Similarly, the Bank of Japan left its key short-term interest rate unchanged at (0.1%) in March, as widely expected. Policymakers also kept the target for the 10-year Japanese government bond yield at around zero percent, but offered weaker views on exports and output amid rising global headwinds.

In the immediate aftermath of the Great Recession, many market observers suggested that a prolonged period of ultra-low interest rates and ballooning central bank balance sheets would lead to significant inflation and a crowding out of private sector investment. However, a lack of meaningful inflationary pressures and lack of crowding out of investment have given rise to the question of whether governments should run larger deficits. Modern Monetary Theory is one variant of this hypothesis and will likely be discussed more broadly in the run-up to the presidential election next year. The central tenant of the Modern Monetary Theory is that countries which have their own central banks and borrow in their own currency, such as the United States, the United Kingdom, and Japan, always have the ability to service their own debt. The outgrowth of this framework is that at a time when there is little inflationary pressure, due in part to technological innovation and aging demographics, there is a much greater capacity to run significantly larger deficits. Modern Monetary Theory is anathema to classical economic theory which suggests that the use of the printing press to satiate federal obligations leads to hyper-inflation. Our baseline outlook for the economy does not include employing Modern Monetary Theory; however, we would not be surprised to see pressure to pursue greater fiscal policy in the next downturn.

## ***CAPITAL MARKETS***

Recent falling global bond yields are the result of sluggish economic growth and low inflation around the world as well as the dovish posture of global central banks. Domestic interest rates have received a great deal of attention recently as the interest rate on the 3-month Treasury bill briefly exceeded the yield on the 10-year Treasury note. This dynamic, commonly referred to as an inverted yield curve, is indeed noteworthy as the yield curve has inverted on nine occasions since the late 1960's and following seven of those instances the economy tipped into recession within 18 months. While it may be perilous to ignore the inverted yield curve, we believe there are important contextual elements. First, we believe the yield curve would need to remain inverted for a sustained period of several months in order for us to raise our probability of a recession. Second, we believe the level of interest rates has been distorted by large purchases of debt by central banks. Finally, the correlation between

the shape of the yield curve and the subsequent annual growth in real Gross Domestic Product has fallen since the early 1970's as the complexion of the economy has changed over time.

A key advantage of the recent decline in market interest rates is the opportunity for lower mortgage rates to stimulate the housing market which was decidedly weak last year. The 30-year mortgage rate has fallen almost a full percentage point to 4.0%. Historically, existing home sales have been sensitive to the change in mortgage rates over the prior six months. As a result, housing is likely to turn from a mild headwind to a mild tailwind in 2019. The housing market is a key component of consumer confidence because it is often the largest asset for most households. In that sense, housing "punches above its weight". Beginning in the second quarter, we would not be surprised to see a pick-up in housing starts and building permits. While housing affordability remains a critical issue in select urban areas, we may be in the early phase of a housing unit shortage. The average age of homes in the United States is over 30-years old and over the past decade the average age has risen at its fastest clip since the 1930's. The Millennial generation, which is now 20 to 36-years-old, is larger than the Baby Boomer generation, but has a much different profile in many respects, including housing. The low rate of household formation among Millennials, due in part to significant student debt and lower economic growth this cycle, is beginning to improve. In 2016, it is estimated that only 27% of Millennials were married compared with 38% by 2018. Home ownership for Millennials rose from 26% to 40% over the comparable time period. Housing and employment are the bedrock of consumer consumption, which represents nearly 70% of the United States economy.

Corporate earnings expanded 22% in 2018 with roughly half of the growth attributable to lower corporate tax rates. We forecast corporate earnings will grow between 5% to 7% for 2019 with the growth tilted to the second half of the year. The lagged effect of higher interest rates, slowing global growth, the government shutdown, and a Polar Vortex will likely combine to result in first quarter Standard & Poor's 500 Index earnings being lower than the comparable quarter last year. Primary industry contributors to lower corporate earnings year-over-year include autos, energy, and semiconductors. However, we anticipate overall corporate earnings will rebound in the second half of the year.

## ***CONCLUSION***

The current economic and investment climate is perhaps best characterized as "slowing". The pace of monetary tightening, economic growth at home and abroad, and corporate profits growth are all

slowing. However, a key pillar of the domestic economy, personal consumption, remains healthy which should continue to be supportive of economic growth. One of the key risks to the current economic expansion in our view has been the potential for the Federal Reserve to overtighten monetary policy. This risk appears to have retreated as the central bank has indicated its willingness to refrain from further monetary policy tightening this year. As always, there is a considerable list of concerns which include near-peak corporate profit margins and rising corporate debt levels. As campaign momentum for the 2020 presidential election builds, the capital markets will begin to anticipate the eventual outcome and its implications. China continues to stimulate its economy by injecting additional credit into an already highly levered economy. Finally, the ultimate form of Brexit remains a mystery with uncertainty continuing to impact economic growth in the region.

We believe we are witnessing the third “growth scare” of the current economic expansion. While we view the probability of an economic recession as low over the balance of the year, odds are greater that we have an earnings recession – defined as two consecutive quarters of declines in corporate earnings. A portion of the decline is explained by the unfavorable base effects created by last year’s reduction in domestic corporate tax rates. This phenomenon has the potential to dampen equity market returns over the final three quarters of the year. The upside, however, is that accommodative central banks may further elongate the current expansion.

### ***FINANCIAL MARKET TOTAL RETURN\****

	<b>First Quarter 2019</b>	<b>Six Months Ending 03/31/19</b>	<b>One Year Ending 03/31/19</b>	<b>Annualized Return Two Years Ending 03/31/19</b>	<b>Annualized Return Three Years Ending 03/31/19</b>	<b>Annualized Return Five Years Ending 03/31/19</b>
Standard & Poor’s 500 Index	13.65%	(1.72%)	9.50%	11.72%	13.51%	10.91%
Russell 2000 Index	14.58%	(8.56%)	2.05%	6.81%	12.92%	7.05%
Value Line Composite Index	13.39%	(7.61%)	(0.52%)	3.26%	7.68%	3.55%
Dow Jones Industrial Average	11.81%	(0.84%)	10.09%	14.64%	16.37%	12.21%
NASDAQ (OTC) Composite	16.81%	(3.38%)	10.66%	15.69%	18.06%	14.39%
Bloomberg Barclays Capital Gov’t/Credit Intermediate Bond Index	2.32%	4.01%	4.24%	2.28%	1.66%	2.12%

\* Total Return Includes Income

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