



Quarterly review

The GGFS Revenue Buster Strategy gained 1.5% before fees in Q2 2018 compared to gains of 3.6% and 1.0% for the S&P 500 (SPY) and Dow Jones Industrial Average (DIA), respectively. For the year-to-date period, the Bruderman Select Growth Strategy declined 0.7% compared to a gain of 2.5% for the SPY and a decline of 0.9% for DIA.

Volatility subsided in Q2 from elevated levels seen earlier in the year but investor optimism about tax cuts faded into continuing concerns about trade. The presidential administration seems intent on upending the global trading landscape but its ultimate goal remains murky.

For many countries, persistent trade deficits can be a sign of inefficiency or industrial stagnancy and are often a precursor to currency declines. The US economy, however, is exceptional in that its relative legal and political stability and abundant high quality corporations make it a desirable destination for global equity and fixed income investors. Even central banks hold a large component of their official reserves in US dollar securities. A trade deficit is one side of the balance of payments - a sort of accounting structure for global capital flows. The capital account balance is the other side of the equation and reflects inward investment that is absorbed by (or absorbs) the trade balance. If global investors invest excess savings in the US, a trade deficit will result and any country running a trade surplus must also incur a capital account deficit. The US trade deficit arises from its massive capital account surplus and not from unfair tariffs or trade impediments. Reducing the trade deficit is likely to result in lower asset prices and higher interest rates and is unlikely to ignite a manufacturing renaissance. We believe these are the reasons increased trade rhetoric is being met with increased market volatility.

Strategy review

The Revenue Buster performed in line with broader market averages last quarter. Energy and consumer discretionary were the Strategy's best performing sectors, gaining 3.9% and 3.6%, respectively. Financials and industrials were the weakest, each declining 1.2%. Beta, growth and alpha were the factors with the strongest contribution as quality, global and buyback detracted.

Home Depot (HD) was the largest contributor to return in Q2 with the stock gaining 10.1% and adding 52 basis points (bp) to performance. HD benefited from investor rotation towards consumer discretionary as fears of Amazon-induced margin compression subsided. Macroeconomic tailwinds also benefited the company as below-average housing starts and resale inventory contribute to a strong home remodeling environment.

Goldman Sachs (GS) detracted 46bp of return in Q2. Investors have taken a 'wait-and-see' stance towards the investment bank as they continue to digest the firm's mixed trading results and nascent growth initiatives.

Portfolio changes

ConocoPhillips (COP) and Facebook (FB) were added to portfolios in Q2. We streamlined some smaller positions out of the portfolio during the quarter reducing overall position count and concentrating capital in higher conviction names. Among the larger positions exited were Starbucks Corp (SBUX), CVS Health Corp (CVS) and Proctor & Gamble Company (PG).

Strategy Highlights

- High conviction portfolio targeting large capitalization stocks exhibiting high revenue, earnings and/or cash flow growth.
- Fundamental selection focused on financial strength, capital return and management quality
- Target companies with high earnings predictability, lower earnings variation and high financial flexibility; target management teams with strong record of returning capital to shareholders.
- Typically holds 20-35 positions

Top holdings

Name	Weight
Google Inc.	5.9%
ConocoPhillips	5.7%
Costco Wholesale Corporation	5.6%
Home Depot, Inc. (The)	5.6%
Visa Inc.	5.6%
Intercontinental Exchange Inc.	5.4%
Illinois Tool Works Inc.	5.2%
Cognizant Technology Solutions Corp	5.1%
Johnson & Johnson	5.1%
McDonald's Corporation	5.0%
Total	54.3%

Style map



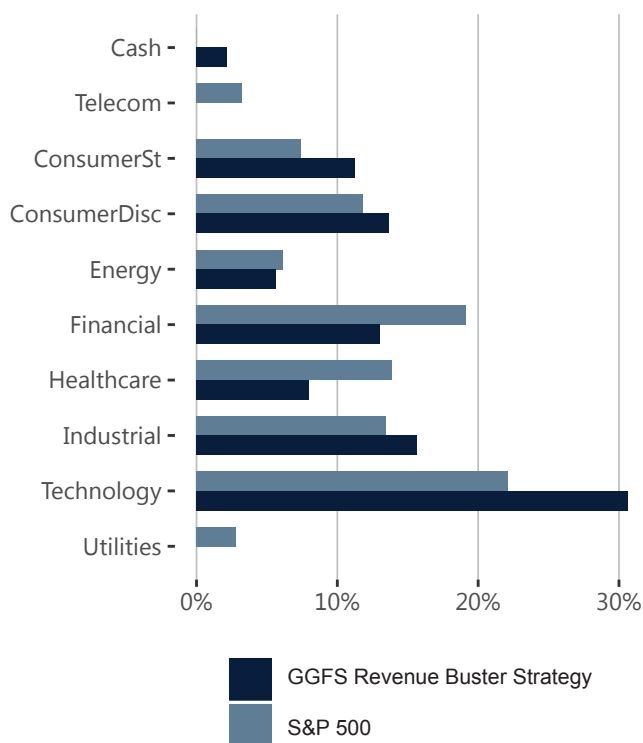


Performance summary

Annualized returns	Revenue Buster	S&P 500	DJI Average
Q2 2018	1.5%	3.6%	1.0%
Year to date	-0.7%	2.5%	-0.9%
Last one year	12.9%	14.3%	16.2%
Last three years	10.1%	11.9%	14.0%
Last five years	13.2%	13.3%	12.8%
Since inception	14.5%	15.0%	14.3%

Annual returns	Revenue Buster	S&P 500	DJI Average
2018	-0.7%	2.5%	-0.9%
2017	28.0%	21.7%	28.1%
2016	1.8%	12.0%	16.4%
2015	7.9%	1.3%	0.1%
2014	12.7%	13.5%	9.8%
2013	32.5%	32.3%	29.6%

Sector allocation



Performance statistics

Metric	Revenue Buster	S&P 500	DJI Average
Return			
Average annualized return	14.5%	15.0%	14.3%
Annualized alpha	-0.0%	-0.0%	-1.3%
Sharpe ratio (0% rf)	1.49	1.60	1.41
Sortino ratio (0% rf)	2.09	2.22	1.97
Risk			
Annualized standard deviation	9.7%	9.4%	10.1%
Beta	0.97	1.00	1.04
Beta, down markets	0.96	1.00	1.23
Maximum drawdown	-7.8%	-8.5%	-9.0%
Fit			
Correlation	93.4%	100.0%	95.9%
Skew	-12.9%	-15.8%	-14.9%

Portfolio characteristics

Metric	Revenue Buster	S&P 500	DJI Average
Growth			
Market capitalization (\$m)	\$208,253	\$88,646	\$304,197
Consensus revenue growth, next year	6.0%	5.2%	4.4%
Consensus EPS growth, next year	10.1%	11.9%	9.0%
Consensus dividend growth, next year	9.7%	8.8%	8.7%
Strength			
Long-term debt / EBITDA	1.1	1.5	0.3
Net long-term debt / market cap	8.8%	15.5%	14.8%
Shareholder yield	4.9%	4.7%	5.2%
Quality			
Return on assets	9.2%	6.7%	7.3%
Free cash flow yield	3.8%	4.0%	4.4%
Earnings variability	32.1%	46.2%	33.4%
Enterprise value / EBITDA	14.9	16.0	13.8



Investment process

Idea generation

Large-cap US / ADR universe

- >\$10 billion market cap
- US / developed markets

Fundamental screens

- Balance sheet - low and manageable debt levels
- Consistent earnings, revenue, free cash flow growth

Internal and external research

Research

Earnings analysis

- Assessment of historical and prospective revenue, earnings, free cash flow growth rates

Financial strength analysis

- Company's balance sheet and debt level relative to long-term ability to generate cash

Management assessment

- Ability of management team to drive growth and return capital to shareholders

Portfolio construction

20-35 securities

Position weights

- Typically range from 1.3% to 5.5%, at cost

Sector diversification

- No more than 30% in any one GICS sector, at cost

Long-term holding period

- Average turnover of 57% / 1.7 year average holding period

Quarterly portfolio update

Risk management

On-going coverage of portfolio companies

- Company and market news flow
- Earnings and cash flow growth rates
- Valuation and financial strength metrics

Daily monitoring of portfolio risks

Large decline triggers investment review



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