MARKET ADVANTAGE PORTFOLIOS

QUARTERLY COMMENTARY 2018Q4

The fourth quarter saw a return of volatility and declines across several asset classes, including domestic and international equities. The S&P 1500 Total Return Index ended the quarter with a loss of -14.0%. The MSCI Emerging Markets Total Return Index fell -7.5% while the MSCI EAFE Total Return Index declined -12.5%.

On the fixed income side, concerns over rising interest rates were momentarily put aside as U.S. treasuries served as a safe haven from the equity volatility, with the ICE US Treasury 3-7 Year TR Index finishing the quarter with a gain of 2.7%. The Barclays US Aggregate Bond TR Index was up 1.6% while high yield saw the iBoxx USD Liquid High Yield Index move lower by -4.2% for the quarter. On the alternatives front, the HFRX Global Hedge Index closed out the quarter with a loss of -5.6%.

TABLE 1 | CEDAR MAPs PERFORMANCE

As of: December 31, 2018 | PORTFOLIO	QTD			YTD 2018		
	NET	GROSS	BENCHMARK[1]	NET	GROSS	BENCHMARK[1]
MAP Conservative	-3.96%	-3.59%	-2.78%	-4.58%	-3.14%	-2.70%
MAP Moderate	-6.18%	-5.82%	-5.68%	-6.50%	-5.08%	-4.57%
MAP Growth	-9.50%	-9.15%	-9.95%	-8.77%	-7.39%	-7.45%
MAP Individual Endowment	-10.99%	-10.64%	-11.36%	-10.02%	-8.65%	-8.43%
MAP Alternatives	-13.59%	-13.25%	-5.56%	-11.30%	-9.94%	-6.72%

Source: Internal, Bloomberg

TABLE 2 | RETURNS FOR INDIVIDUAL MAPs HOLDINGS

CATEGORY	TARGET FOCUS	TICKER	9/30/2018	12/31/2018	RETURN
EQUITY	Strategic	ITOT	66.17	56.76	-14.21%
		EFA	67.27	58.78	-12.62%
		DBEF	31.67	27.90	-11.91%
		VWO	40.72	38.10	-6.43%
	Tactical	GHSIX	10.43	9.68	-7.19%
FIXED INCOME	Strategic	AGG	104.55	106.49	1.85%
		MBB	102.50	104.65	2.10%
		TIP	110.08	109.51	-0.52%
		HYG	84.84	81.10	-4.41%
	Tactical	NTBIX	10.11	9.87	-2.37%
		PWRIX	9.66	9.41	-2.59%
ALTS	PE/VC	LDVIX	18.68	14.38	-23.02%
		LDPIX	13.04	10.35	-20.63%
	Absolute Return	GHCIX	10.18	10.35	1.67%
	Real Assets	GHTIX	8.30	6.96	-16.14%

*Table 2: Returns for individual MAPs holdings. **NOTE:** Not all portfolios hold all securities. Source: Internal, Bloomberg.[1] The benchmark for MAPs Conservative is 70% Barclays Agg / 30% MSCI ACWI. The benchmark for MAPs Moderate is 50% Barclays Agg/ 50% MSCI ACWI. The benchmark for MAPs Growth is 20% Barclays Agg / 80% MSCI ACWI. The benchmark for MAPs Individual Endowment is 10% Barclays Agg / 90% MSCI ACWI. The benchmark for MAPs Alternatives is the HFRX Global Hedge Fund Index.*

TABLE 3 | ESTIMATED PERFORMANCE ATTRIBUTION (gross-of-fees)

Q4 | 2018		PORTFOLIO	STRATEGIC FIXED	TACTICAL FIXED	STRATEGIC EQUITY	TACTICAL EQUITY	ALTS
MAP Conservative	Return	-3.59%	1.39%	-2.29%	-14.96%	-7.09%	-12.25%
	Target Weight	100.0%	45.5%	24.5%	13.0%	7.0%	10.0%
	Wtd. Return	-3.59%	0.63%	-0.56%	-1.94%	-0.50%	-1.23%
MAP Moderate	Return	-5.82%	1.41%	-2.20%	-14.40%	-6.80%	-11.84%
	Target Weight	100.0%	32.5%	17.5%	19.5%	10.5%	20.0%
	Wtd. Return	-5.82%	0.46%	-0.39%	-2.81%	-0.71%	-2.37%
MAP Growth	Return	-9.15%	1.75%	-2.12%	-12.90%	-6.50%	-12.99%
	Target Weight	100.0%	13.0%	7.0%	32.5%	17.5%	30.0%
	Wtd. Return	-9.15%	0.23%	-0.15%	-4.19%	-1.14%	-3.90%
MAP Individual Endowment	Return	-10.64%	0.62%	-2.04%	-11.23%	-6.30%	-12.67%
	Target Weight	100.0%	6.5%	3.5%	16.3%	8.8%	65.0%
	Wtd. Return	-10.64%	0.04%	-0.07%	-1.82%	-0.55%	-8.23%

***Table 3:** Estimated performance attribution across different portfolio sleeves. Source: Internal, Bloomberg*

Looking specifically at the Market Advantage Portfolios, all composites posted negative returns for the quarter, with those having more exposure to risky assets generally producing lower returns on a relative basis. Table 3 breaks out the performance attribution by key functional area within the MAPs portfolios. In general:

Strategic – On the fixed income side, the strategic allocations were generally in-line with the Barclays US Aggregate Bond TR Index. On the equity side, portfolios with greater exposures to emerging market equities generally benefited slightly on a relative basis – a return to the pattern seen earlier in the year where emerging markets tended to outperform.

Tactical – On the fixed income side, tactical performance tended to underperform strategic aggregate bond returns due to high yield exposure. Conversely, on the equity side, tactical holdings outperformed strategic returns. Outperformance was driven primarily by risk-off positions in both the U.S. and international equity markets that limited the losses captured from the equity market declines.

Alternatives – After several quarters of positive impacts, the alternatives sleeve suffered from negative returns in the venture capital and private equity components. The Thomson Reuters Private Equity Buyout Index lost -20.6% while the Thomson Reuters Venture Capital Index lost -23.8% for the quarter. The S&P Real Assets Equity Total Return Index declined -8.3%. Absolute return exposure achieved through the Leland Currency Strategy Fund (GHCIX) proved to be a buffer, contributing a positive 1.67% for the period.

A Look Ahead to 2019

Many people are happy to put 2018 in the rear view mirror from an investment performance perspective. But as we look to 2019, what might we expect? On the equity front, an overwhelming number of popular measures continue to point towards an overvalued market, although admittedly less so than at the start of the fourth quarter. Unfortunately, though, knowing the market is overvalued doesn't necessarily lead to a meaningful investment plan. Overvalued markets can still lead to positive returns, and a positive return in an overvalued market is still that – a positive return. In other words, overvalued markets can remain overvalued and even become more overvalued for long periods of time. However, there are other signs that also give pause when evaluating where equity markets may be heading, including elevated consumer sentiment which has continued to rise (The University of Michigan Consumer Sentiment Index ended 2018 at 98.3) and significantly higher levels of volatility. Overvalued markets with overconfident investors in environments where price swings can become excessive can often lead to challenging investment environments. This all sets up for an equity outlook that has us tempering expected returns from the equity markets, but as noted, with the timing being impossible to determine. This is one of the main reasons the Cedar MAPs framework incorporates tactical equity strategies. In the fourth quarter, several of the underlying tactical models were in or shifted to more defensive positioning. It's this combination of approaches (strategic and "risk on/risk off") that helps mitigate the need to estimate the timing of a significant market decline or rally.

On the fixed income front, clarity may finally be forming on the Federal Reserve's interest rate trajectory. After four hikes to the benchmark rate in 2018, consensus is now for 2-3 more increases in 2019. While higher rates do tend to have associated drawbacks (higher mortgage rates, car loans, etc.) having rates get back to more "normal" levels brings along positives as well – like savings accounts and bank interest rates that can finally start to compete with inflation. Equally important is the reduction in uncertainty. Oddly, "interest-rate" sensitive securities (not just bonds, but many real-asset strategies as well) often can be more negatively impacted by the uncertainty and speculation surrounding an anticipated rising rate environment than by the actual rising rate environment itself. With a measured rising rate cycle already underway and a fair degree of confidence in where the Fed is headed, we believe core fixed income securities may get back on track. In the Cedar MAPs framework, the core strategic fixed income is built around an aggregate bond position, with the tactical component focuses on attempting to extract additional return from the high yield space through the use of high-yield timing funds.

Finally with respect to alternatives, some changes to the overall MAPs portfolios were implemented in the Absolute Return category to start 2019. To accommodate a pending fund closure and in an attempt to improve diversification, the Leland Currency Strategy Fund was replaced by two multi-alternative absolute return funds. We believe both replacement funds meet the criteria of low correlation to the other asset classes (and to each other) and offer broad exposure to multiple uncorrelated strategies which we expect to further improve potential drawdown scenarios. As the absolute return component is intended to be uncorrelated to other parts of the portfolio, our outlook for this asset class is always the same – a potential positive return expectation independent of stock or bond market environments. While this does not necessarily mean a positive return will always materialize, it does mean we expect this part of the portfolio will behave independently and not be overly disrupted by any major catalysts in the equity or fixed income market segments, much like the former holding demonstrated in 4Q2018.

In keeping with the structure of MAPs, it is important to recognize that in any given period, certain elements of the portfolios will be the drivers to overall performance. Which elements prove to be key contributors to returns will naturally vary throughout time and market environments. As such, based on our research, we believe one of the best ways to construct portfolios is to blend strategic, tactical and alternative components as done through the MAPs framework to establish a well-balanced portfolio consistent with investor objectives and risk tolerance. A well-designed portfolio paired with discipline can often be one of the most effective ways to achieve investment success.

DISCLOSURES

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Performance results and strategy characteristics presented are derived from each strategy's composite. The composites include all discretionary accounts managed in accordance with each strategy. Inception dates of the composites presented are as follows: MAPs Conservative – October 31, 2015; MAPs Moderate – October 31, 2015; MAPs Growth – October 31, 2015; MAPs Individual Endowment – December 31, 2015 ; MAPs Alternatives - October 31, 2015.

Performance results are presented in U.S. dollars and reflect the reinvestment of dividends and capital gains. Results are presented gross and net of management fees. Gross returns include the deduction of trading expenses and are presented as supplemental information. Net returns are net-of-max model fees and trading expenses; the applicable fee is 1.5%. Actual fees may vary based on, among other factors, account size and custodial relationship. Changes in investment strategies, contributions or withdrawals may cause the performance results of an individual account to differ materially from the composite presented.

Past performance is no guarantee of future results. There are risks associated with any investment strategy, including the possible loss of principal. There is no guarantee that any investment strategy will achieve its objectives. Diversification does not guarantee a profit or eliminate the risk of loss.

Cedar Capital's reliance on the strategy and its judgments about the value and potential appreciation of the securities in which the strategy invests may prove to be incorrect. Overall market risk, including volatility, may affect the strategy's performance. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment strategy will either be suitable or profitable for a client's investment portfolio.

The Cedar Market Advantage Portfolios ("Cedar MAPs") are subject to specific risks. Cedar MAPs are subject to management risk and an investor's return and principal value of investment may fluctuate such that an investment, when liquidated, may be worth more or less than their original investment. Cedar MAPs invest primarily in mutual funds or exchange traded funds (ETFs), which are subject to investment advisory and other expenses. There are numerous risks associated with investing in the underlying mutual funds and ETFs which should be considered prior to investing.

Cedar MAPs invest in equity, fixed income, and liquid alternative investments (as classified by Cedar Capital). The more aggressive the Cedar MAPs selected, the more likely the strategy will contain larger percentages of riskier asset classes. Equity investments are subject to overall market risk and volatility. Fixed income investments are subject to issuer credit risks and the effects of interest rate fluctuations. Alternative investments typically hold more non-traditional investments and may employ more complex trading strategies including leverage through the use of derivatives. Investors considering alternative investments should carefully consider their unique characteristics and additional risks. Tactical investment strategies may result in the portfolios being more concentrated in a specific asset class, which could reduce overall return if these asset classes underperform.

*The **S&P Composite 1500 Total Return Index** combines three leading indices, the S&P 500, the S&P MidCap 400, and the S&P SmallCap 600 to cover approximately 90% of the U.S. market capitalization.*

*The **MSCI EAFE Total Return Net Index** is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada.*

*The **MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.*

*The **ICE U.S. Treasury 3-7 Year Bond Index** measures the performance of public obligations of the U.S. Treasury that have a remaining maturity of greater than or equal to three years and less than seven years.*

*The **Barclays US Aggregate Bond Total Return Index** ("Barclays Agg") is an index designed to provide a measure of the performance of the U.S. investment grade bond market, which includes investment grade U.S. Government bonds, investment grade corporate bonds, mortgage pass through securities and asset backed securities that are publicly offered for sale in the U.S.*

*The **Markit iBoxx USD Liquid High Yield Index** is a modified market-value weighted index designed to provide a balanced representation of U.S. dollar-denominated high yield corporate bonds for sale within the United States by means of including the most liquid high yield corporate bonds available as determined by the index provider.*

*The **HFRX Global Hedge Fund Index** is designed to be representative of the overall composition of the hedge fund universe. It is composed of all eligible hedge fund strategies, including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event drive, macro, merger arbitrage, and relative value arbitrage. The strategies are asset weighted based on the distribution of assets in the hedge fund industry.*

*The **MSCI ACWI Net Total Return** ("MSCI ACWI") is a free float-adjusted market capitalization weighted index that is designed to measure the performance of developed and emerging markets. Net total return indexes reinvest dividends after the deduction of withholding taxes, using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties.*

*The **S&P Real Assets Equity Total Return Index** is a static weighted return of investable and liquid equity indexed components that measures the performance of real return strategies that invest in listed global property, infrastructure, natural resources, and timber and forestry companies.*

*The **Thomson Reuters Private Equity Buyout Index** replicates the performance of the Thomson Reuters Private Equity Buyout Research Index, which is designed to be a comprehensive and highly representative indicator of the US PE Buyout industry, through a combination of liquid, publicly listed assets.*

*The **Thomson Reuters Venture Capital Index** replicates the performance of the Thomson Reuters Venture Capital Research Index, which is designed to be a comprehensive and highly representative indicator of the US venture capital industry, through a combination of liquid, publicly listed assets.*

Total Return indexes reflect the reinvestment of income. Net total return indexes reinvest dividends after the deduction of withholding taxes, using a tax rate applicable to non resident institutional investors who do not benefit from double taxation treaties. The indexes for each composite are as follows: MAPs Conservative – 70% Barclays Agg/30% MSCI ACWI; MAPs Moderate – 50% Barclays Agg/50% MSCI ACWI; MAPs Growth – 20% Barclays Agg/80% MSCI ACWI; MAPs Individual Endowment – 10% Barclays Agg/90% MSCI ACWI; MAPs Alternatives - HFRX Global Hedge Fund Index.

Indexes are unmanaged and cannot be invested into directly. Index performance does not reflect the deduction of fees or transaction costs, which would decrease performance. The investment strategy and types of securities held by the comparison indices may be substantially different from the investment strategy and the types of securities held by the strategies. Performance of the strategy relative to its benchmark may have been impacted positively or negatively by economic and market conditions which affect the strategy or the benchmark to a greater degree.

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