MARKET ADVANTAGE PORTFOLIOS

QUARTERLY COMMENTARY 2019Q1

The first quarter saw the return of the broad based equity rally, with major indices both domestic and international posting strong returns. As worries driven by the fourth quarter equity decline subsided, sentiment shifted from fears of a sustained market sell-off to talk of a patient Fed and potential market "melt up". The S&P 1500 Total Return Index ended the quarter with a gain of 13.6%. The MSCI Emerging Markets Total Return Index gained 9.9% while the MSCI EAFE Total Return Index gained 10.0%.

On the fixed income side, concerns over rising interest rates have, for the moment, been sidelined by the Federal Reserve's declared pause on rate increases. The ICE US Treasury 3-7 Year TR Index finished the quarter with a gain of 1.8%. The Barclays US Aggregate Bond TR Index was up 2.9% while high yield saw the iBoxx USD Liquid High Yield Index move higher by 7.5% for the quarter. On the alternatives front, the HFRX Global Hedge Index closed out the quarter with a gain of 2.6%.

TABLE 1 | CEDAR MAPs PERFORMANCE

As of: March 31, 2019 | PORTFOLIO	QTD			YTD 2019		
	NET	GROSS	BENCHMARK[1]	NET	GROSS	BENCHMARK[1]
MAP Conservative	4.60%	4.99%	5.69%	4.60%	4.99%	5.69%
MAP Moderate	5.83%	6.22%	7.53%	5.83%	6.22%	7.53%
MAP Growth	8.05%	8.44%	10.31%	8.05%	8.44%	10.31%
MAP Individual Endowment	9.83%	10.23%	11.24%	9.83%	10.23%	11.24%
MAP Alternatives	11.75%	12.15%	2.60%	11.75%	12.15%	2.60%

Source: Internal, Bloomberg

TABLE 2 | RETURNS FOR INDIVIDUAL MAPs HOLDINGS

CATEGORY	TARGET FOCUS	TICKER	12/31/2018	3/31/2019	RETURN
EQUITY	Strategic	ITOT	56.55	64.40	13.88%
		EFA	58.78	64.86	10.34%
		DBEF	27.90	31.22	11.90%
		VWO	38.03	42.50	11.77%
	Tactical	GHSIX	9.68	9.94	2.69%
FIXED INCOME	Strategic	AGG	105.70	108.81	2.94%
		MBB	103.81	106.09	2.19%
		TIP	109.51	113.07	3.25%
		HYG	80.02	86.09	7.59%
	Tactical	NTBIX	9.81	10.19	3.87%
		PWRIX	9.41	9.85	4.68%
ALTS	PE/VC	LDVIX	14.38	18.41	28.03%
		LDPIX	10.35	11.98	15.75%
	Absolute Return	IQDNX	11.74	11.78	0.34%
		BIMBX	9.42	9.86	4.67%
	Real Assets	GHTIX	6.87	7.92	15.28%

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)

Q1 | 2019		PORTFOLIO	STRATEGIC FIXED	TACTICAL FIXED	STRATEGIC EQUITY	TACTICAL EQUITY	ALTS
MAP Conservative	Return	4.99%	2.86%	4.16%	12.66%	2.47%	8.49%
	Target Weight	100.0%	45.5%	24.5%	13.0%	7.0%	10.0%
	Wtd. Return	4.99%	1.30%	1.02%	1.65%	0.17%	0.85%
MAP Moderate	Return	6.22%	2.91%	4.04%	12.58%	2.71%	9.12%
	Target Weight	100.0%	32.5%	17.5%	19.5%	10.5%	20.0%
	Wtd. Return	6.22%	0.95%	0.71%	2.45%	0.28%	1.82%
MAP Growth	Return	8.44%	2.56%	4.00%	12.23%	2.71%	11.27%
	Target Weight	100.0%	13.0%	7.0%	32.5%	17.5%	30.0%
	Wtd. Return	8.44%	0.33%	0.28%	3.98%	0.47%	3.38%
MAP Individual Endowment	Return	10.23%	3.60%	4.17%	12.23%	2.80%	11.71%
	Target Weight	100.0%	6.5%	3.5%	16.3%	8.8%	65.0%
	Wtd. Return	10.23%	0.23%	0.15%	1.99%	0.25%	7.61%

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

Looking specifically at the Market Advantage Portfolios, all composites posted positive returns for the quarter, with those having more exposure to risky assets generally producing higher 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, strategic equity allocations were generally in line with the MSCI AC World Net TR USD Index, which closed the quarter with a 12.2% gain.

Tactical – On the fixed income side, tactical performance tended to outperform strategic aggregate bond returns due to high yield exposure and the relatively outperformance of that asset class. Conversely, on the equity side, in a reversal from 4Q2018, tactical holdings underperformed strategic returns. The increase in volatility and the market sell off in equities in the fourth quarter of last year drove many of the tactical models utilized in the Market Advantage Portfolios into partial or fully defensive positons. These relative “risk-off” allocations in both the U.S. and international equity markets limited the gains captured from the stock market rally.

Alternatives – After the turmoil of the previous quarter, the alternatives component rebounded, with every sub-asset class providing positive returns for the quarter. The Thomson Reuters Private Equity Buyout Index gained 16.7% while the Thomson Reuters Venture Capital Index rose 29.2% for the quarter on the back of another strong performance in the technology sector. The S&P Real Assets Equity Total Return Index rose 14.5%, breathing some life in the otherwise beaten down real assets arena. Absolute return exposure achieved through the two reduced correlation holdings (IQDNX, BIMBX) managed to also contribute positively, in combination outpacing the HFRX Absolute Return Index, which gained 0.6% for the period.

A Look Ahead

Many investors clearly welcomed the recovery experienced during the start of the year. As we look ahead, on the equity front, a large number of popular measures continue to point towards an overvalued market. Unfortunately, though, knowing the market is overvalued doesn’t necessarily lead to a meaningful investment plan. Instead, it tends to lead to talk of a possible market “melt up” as developing reasons for a sustained rally becomes more difficult. In reality, overvalued markets can still lead to positive returns, and clearly 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 the first quarter at 98.4, after dipping to 91.2 as a result of the difficult fourth quarter) and the VIX settling back down in the low double digits, which can sometimes indicate investor complacency. Overvalued markets with overconfident investors in environments where price swings can become excessive can 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 first quarter, several of the underlying tactical models (both affiliated and unaffiliated) were in or shifted to more defensive positioning. While this can result in relative underperformance in a rising market as the defensive holdings can struggle to keep pace, it also provided an automatic "governor" should markets be unexpectedly disrupted to the downside.

On the fixed income front, clarity continues to develop on the Federal Reserve's interest rate trajectory. After four hikes to the benchmark rate in 2018, and early consensus for 2-3 more increases in 2019, the current expectation is for no further increases in 2019 as inflation remains in check and global growth remains tepid. This increasing certainty regarding the near term direction of rates has been a positive. Oddly "interest-rate" sensitive securities (not just bonds, but many real-asset strategies as well) often are 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 that the Fed is prepared to hold steady, we expect core fixed income securities to produce positive returns. In the Cedar MAPs, the core strategic fixed income is built around an aggregate bond position, with the tactical component focused on attempting to extract additional return from the high yield space through the use of high-yield timing funds – something that proved beneficial in Q1.

With respect to alternatives, some changes to the overall MAPs portfolios were implemented in the Absolute Return category to start 2019. Both new funds (IQDNX, BIMBX) meet the criteria of low correlation to the other asset classes (and to each other) and offer broad exposure to multiple uncorrelated strategies which is expected to further improve potential drawdown scenarios. As the absolute return component is intended to be uncorrelated to other parts of the portfolio, the outlook for this asset class is always the same – a 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. While the holdings are new to the portfolio, performance has been as expected.

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.*

*The **HFRX Absolute Return Index** is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage.*

*The **Chicago Board Options Exchange Volatility Index (the "VIX")** reflects a market estimate of future volatility, based on the weighted average of the implied volatilities for a wide range of S&P 500 index options.*

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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