MARKET ADVANTAGE PORTFOLIOS

QUARTERLY COMMENTARY 2019Q4

The fourth quarter saw solid performances from global broad based equity indices, with emerging markets leading the way. The S&P 1500 Composite Total Return Index posted a 8.9% return while the MSCI EAFE Net Total Return Index was up 8.2% and the MSCI Emerging Markets Net Total Return Index rose 11.8% for the period. This positive equity performance was accompanied by a relative calming of market volatility. The CBOE Volatility Index, which spiked to over 20 to begin the quarter, settled at 13.78 by year end.

On the fixed income side, expectations of steady rates by the Federal Reserve resulted in relatively flat returns for both corporate credit and treasuries. The ICE US Treasury 3-7 Year TR Index finished the quarter with a slight decrease of -0.1%. The Barclays US Aggregate Bond TR Index was up a mere 0.2% while high yield saw the iBoxx USD Liquid High Yield Index move higher by 2.8% 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: December 31, 2019 | PORTFOLIO	QTD			YTD 2019		
	NET	GROSS	BENCHMARK[1]	NET	GROSS	BENCHMARK[1]
MAP Conservative	2.45%	2.83%	2.76%	9.42%	11.06%	14.04%
MAP Moderate	3.46%	3.85%	4.51%	11.46%	13.13%	17.62%
MAP Growth	5.68%	6.07%	7.16%	15.06%	16.78%	23.00%
MAP Individual Endowment	5.63%	6.02%	8.05%	15.87%	17.60%	24.80%
MAP Alternatives	5.78%	6.17%	2.57%	17.44%	19.19%	8.62%

Source: Internal, Bloomberg

TABLE 2 | RETURNS FOR INDIVIDUAL MAPs HOLDINGS

CATEGORY	TARGET FOCUS	TICKER	9/30/2019	12/31/2019	RETURN
EQUITY	Strategic	ITOT	66.65	72.69	9.06%
		EFA	64.48	69.44	7.69%
		DBEF	32.01	33.78	5.51%
		VWO	39.76	44.47	11.86%
	Tactical	GHSIX	9.33	10.13	8.57%
FIXED INCOME	Strategic	AGG	112.23	112.37	0.13%
		MBB	107.47	108.06	0.54%
		TIP	115.86	116.57	0.61%
		HYG	85.81	87.94	2.48%
	Tactical	NTBIX	10.12	10.39	2.67%
		PWRIX	9.86	10.08	2.23%
ALTS	PE/VC	LDVIX	18.40	21.55	17.12%
		LDPIX	12.81	13.95	8.90%
	Absolute Return	IQDNX	11.81	11.96	1.27%
		BIMBX	9.92	9.88	-0.40%
	Real Assets	GHTIX	7.33	7.66	4.50%

*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 | 2019		PORTFOLIO	STRATEGIC FIXED	TACTICAL FIXED	STRATEGIC EQUITY	TACTICAL EQUITY	ALTS
MAP Conservative	Return	2.83%	0.39%	1.93%	9.00%	7.72%	4.73%
	Target Weight	100.0%	45.5%	24.5%	13.0%	7.0%	10.0%
	Wtd. Return	2.83%	0.18%	0.47%	1.17%	0.54%	0.47%
MAP Moderate	Return	3.85%	0.39%	1.81%	8.60%	8.44%	4.21%
	Target Weight	100.0%	32.5%	17.5%	19.5%	10.5%	20.0%
	Wtd. Return	3.85%	0.13%	0.32%	1.68%	0.89%	0.84%
MAP Growth	Return	6.07%	0.24%	1.74%	8.50%	8.26%	5.69%
	Target Weight	100.0%	13.0%	7.0%	32.5%	17.5%	30.0%
	Wtd. Return	6.07%	0.03%	0.12%	2.76%	1.45%	1.71%
MAP Individual Endowment	Return	6.03%	0.64%	1.79%	8.63%	8.42%	5.82%
	Target Weight	100.0%	6.5%	3.5%	16.3%	8.8%	65.0%
	Wtd. Return	6.03%	0.04%	0.06%	1.40%	0.74%	3.78%

***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 riskier assets benefitting from the strong equity returns. 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 generally outpaced the Barclays US Aggregate Bond TR Index. On the equity side for the more aggressive portfolios, strategic equity allocations were right in line with the MSCI AC World Net TR USD Index, which closed the quarter with a gain of 9.0%. For the more conservative portfolios, the relatively larger U.S. allocation benefited the equity returns slightly.

Tactical – On the fixed income side, tactical performance outperformed strategic aggregate corporate bond returns mainly due to the relative outperformance of the high yield. On the equity side, tactical holdings were in-line with strategic returns. For the fourth quarter, in a departure form what has been the case for most of the year, the main tactical equity holding, GHSIX, maintained significant equity exposure as the underlying tactical strategies registered various levels of “risk on” readings.

Alternatives – The alternative component was positively impacted from the strong performance in the venture capital and private equity index holdings. The Thomson Reuters Private Equity Buyout Index gained 9.4%. The Thomson Reuters Venture Capital Index gained 17.9% for the quarter. Absolute return exposure achieved through the two reduced correlation holdings (IQDNX, BIMBX) managed to contribute positively to performance, in combination, but fell short of the HFRX Absolute Return Index, which gained 1.6% for the period. The real-assets exposure (GHTIX) gained 4.5% for the quarter, in-line with the real assets space as measured by the S&P Real Assets Equity TR Index which was up 4.1%.

On The Radar

Certainly the question continues as to when the current equity rally will end, leading to a decline in prices or perhaps even a recession. The longer the rally continues, the more “overbought” the market seems to be. Combine this with the continued barrage of headlines surrounding China trade relations, President Trump’s impeachment trial, global growth, the Fed’s reluctance to increase interest rates, etc. and it is easy to paint a pessimistic forecast for the markets and the economy. However, an objective look at the overall economic and financial environment provides some positive signs as well. While this current expansion is one of the longest on record, it hasn't been accompanied by extensive GPD growth. In other words, while it has been nearly 11 years in length, it hasn't been overly "heated", possibly leaving room for additional upside. Furthermore, both the consumer and private sectors remain strong, with household debt burdens and private investment at relatively conservative levels compared to past expansions. Unemployment sits at the lowest levels since 1990, while inflation remains modest around 2%.

With many conflicting indicators, it is difficult to forecast market direction with a high degree of precision. Certainly when viewed collectively, we appear to be in a late stage expansion. But whether the expansion will continue for another six months or six years is hard to pinpoint. Making matters even tougher is that stocks, particularly large caps, tend to offer some of the best returns during late cycle periods. So prematurely exiting riskier assets on the fear of a pending market decline can prove detrimental if the recession doesn't materialize. This is where a well thought-out portfolio strategy can be extremely valuable. 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 **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.*

*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.*

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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