Market Commentary No. 1
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NEW YEAR, SAME APPROACH

Welcome to 2019! Like 2018, the new year is beginning with a variety of geopolitical and economic uncertainties that could influence the day to day movements of securities markets. Fears surrounding the United States' trade war with China, the future path of interest rates and 2019 corporate profits were key drivers of the market action in the fourth quarter of 2018. These same dynamics continue to exist, alongside a government shutdown that is already the longest in history.

Despite this, the S&P 500 has exhibited strong returns in recent weeks. Investor sentiment, as opposed to a shift in fundamentals, however, has been the primary force behind the positive returns in the new year, much as it was behind the pullback. The news flow of the last few months and subsequent market reactions highlight a key tenet of our investment approach: focusing on business fundamentals, as opposed to shifting sentiment, is the most prudent approach to long-term investment.

The progression and resolution of challenges such as the trade war with China, for example, could potentially have a lasting impact on the outlook for the U.S. economy. Predicting either the timing or the outcome of these talks, however, is nearly impossible, even for individuals who are very close to the situation. As such, we make a point of not overreacting to rumors and minor developments that may not actually be indicative of the final conclusion. Instead, we continuously evaluate the potential impacts that a variety of scenarios would have on the businesses we are invested in, and aim to construct portfolios that are not reliant on any individual event to accomplish the stated objectives.

While the issues at hand this year may be "new" in their specific details, macroeconomic and geopolitical uncertainties have always existed, and there is nothing about today's world that would require a shift in approach. Much like we would not invest in a company purely based on the outcome of a single earnings report or product launch, our security selection continues to not be dependent on any individual government policy or short-term economic release. By focusing on the long-term business dynamics that exist in the companies we are investing in, we are able to look beyond the day to day gyrations of public securities markets and hone in on the underlying value of the company.

If we had the ability to know the outcomes of large global events, it would certainly make our investment process much simpler. These issues, however, are complex, and as things such as Brexit and the 2016 U.S. Presidential elections proved, outcomes (and the market's reaction to them) can be highly unpredictable. Much like we have stated countless times in the past, we prefer to spend our efforts creating portfolios that are designed to accomplish the defined

643 Prospect Avenue – West Hartford, CT 06105
(860) 561-1245 – www.investRMC.com

objectives across a variety of market cycles, economic climates and political regimes. We find a long-term approach to identifying and investing in businesses to be the process most likely to be successful over time, and see no compelling reason to deviate from this strategy as 2019 begins.

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