Running Oak's Efficient Growth strategy outperformed the S&P 500 Total Return Index by **1.9%** in 2018, gross of fees. The S&P 500 Total Return Index declined **75%** more than our equity portfolio on the year, **-4.47%** versus **-2.56%**.

Since inception in September 2013, our Efficient Growth strategy has:

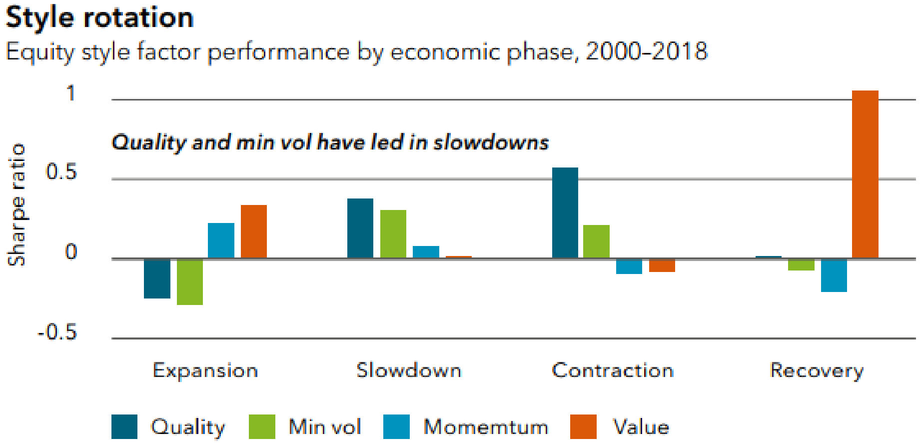
- Outperformed the S&P 500 Total Return Index by **8.3%** cumulatively, gross of fees
- Outperformed the S&P 500 Total Return Index by **1%**, gross of fees, on an annualized basis
- Provided clients **18%** more return than the S&P 500 Total Return Index, given the same level of risk, gross of fees
- Outperformed **95%** of managers in Lipper's All Domestic Manager Universe with regard to risk-adjusted return, net of fees and as of November 2018
- Grown from $1 million in assets under management to approximately $220 million

Efficient Growth achieved these superior results despite an environment over the last several years that has been far from ideal for a strategy especially mindful of risk, valuations, and debt. The market environment appears to have shifted, moving from complacency to caution, and can be expected to be far more conducive for Efficient Growth going forward.

For more information, please see the strategy's fact sheet.

Over the last several months, market sentiment has swung wildly from over-complacency in early October to despair in mid-October to excessive optimism the first week of December to sheer panic on Christmas Eve. Given that nothing significant happened during that time (other than Jerome Powell possibly misspeaking) and increasing economic headwinds, more emotional swings are likely in store. Discipline will be essential. Running Oak's Efficient Growth strategy is rules-based and designed to remove emotion and discretion from the portfolio construction process. Our common sense, disciplined, and time-tested approach will help you navigate the volatility ahead.

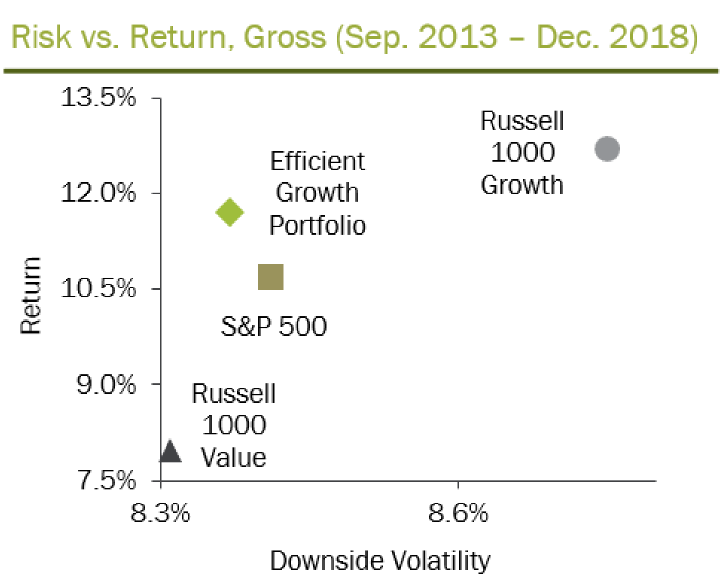
Aside from investing with discipline, invest in what works. According to BlackRock, Quality and Minimum Volatility are the best performing factors through an economic slowdown and contraction.



Past performance is not a reliable indicator of current or future results.
Sources: BlackRock Investment Institute, with data from Bloomberg, November 2018. Notes: The bars show the Sharpe ratio of developed market equity style factors – broad, persistent drivers of equity market returns – over the four different stages of the economic cycle. We break down these stages of the cycle based on leading and coincident economic indicators. The Sharpe ratio is defined as the excess return (return versus the MSCI World Index) divided by the historical risk (standard deviation of excess returns) of the style factors over each cycle stage. Indexes used are MSCI World Value, MSCI World Momentum, MSCI World Quality and MSCI World Minimum Volatility.

Running Oak's Efficient Growth portfolio consists of *high quality*, undervalued companies that are growing earnings at a meaningfully higher rate than the S&P 500 and represent *lower downside risk*. Efficient Growth provides exactly what performs best in the current and subsequent economic environments with higher earnings growth to boot. Admittedly, the strategy isn't pure Minimum Volatility; we consider it more Managed Volatility as we focus on downside risk - not just volatility. Given the recent popularity of Minimum Volatility strategies, overlap in Minimum Volatility strategy holdings, and resulting price appreciation of the stocks within those portfolios, pure Minimum Volatility is riskier than has historically been the case. A strategy focused on both volatility (downside risk) AND valuations is likely to better serve you and your clients.

Recently, I have heard numerous advisors bemoaning sizable mutual fund distributions during a down year. The S&P 500 is roughly only 10% off all-time highs and up significantly over the past decade. There are more distributions to come. Now is an excellent time to realize hard earned gains for your clients, pay unavoidable taxes, position portfolios for the uncertainty to come, and establish an attractive cost basis for the future. Separately managed accounts are a superior investment vehicle to mutual funds, and now is a good time to make the move.



Performance Statistics, Gross (9/13 - 12/18)

	EG	S&P 500
Annualized Return	11.7%	10.7%
Up/Down Capture	97/85	100/100
Alpha	1.2%	0%
Ulcer Perf. Index	4.0	3.4
Sortino Ratio	1.35	1.22
Standard Deviation	11%	11%

Returns, Gross

	EG	S&P 500
December	-9.35%	-9.03%
YTD	-2.56%	-4.47%
Cumulative (9/13)	81%	72%

If you have any questions or if there is any way we can help, please don't hesitate to reach out. Whether through higher returns and greater financial well-being, lower risk and increased peace of mind, or full transparency and rules-based discipline, Running Oak Capital's mission is to make the lives of our clients easier and more productive.

Sincerely,

Seth

Seth L. Cogswell
Founder and CEO

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