Market Highlight

Running Oak's Efficient Growth portfolio was down -1.85%, gross of fees, for the month of August versus -1.58% for the S&P 500 Total Return Index.

Since inception, our Efficient Growth equity portfolio has helped clients:

- Outperform the S&P 500 by an average of **1.6%** per year, gross of fees
- Generate almost **30%** more return, gross of fees, than the S&P 500 given the same level of risk

It's worth noting that Efficient Growth outperformed the S&P 500 with less risk *despite* a challenging environment for a strategy focused on risk, valuations, and debt. Risk, valuations, and debt matter over the long run and appear likely to matter in the short run.

For additional detail, please see the strategy fact sheet.

Commentary

It's rare that my kids' senses of humor align with my own. They are *huge* fans of toilet humor. Had I not been elbow-deep in dirty diapers for the past six years, perhaps I would be, too, but at this point, I no longer find human feces particularly funny. Where we are in complete agreement, though, is an incredibly insightful quote by the wizard, Vetruvius, in the first Lego movie: "Cover your butt."

In that spirit*, don't willfully ignore obvious risks.* Here's what we know:

Debt: There is more debt, globally, than any time in history. Many companies have mortgaged their futures.

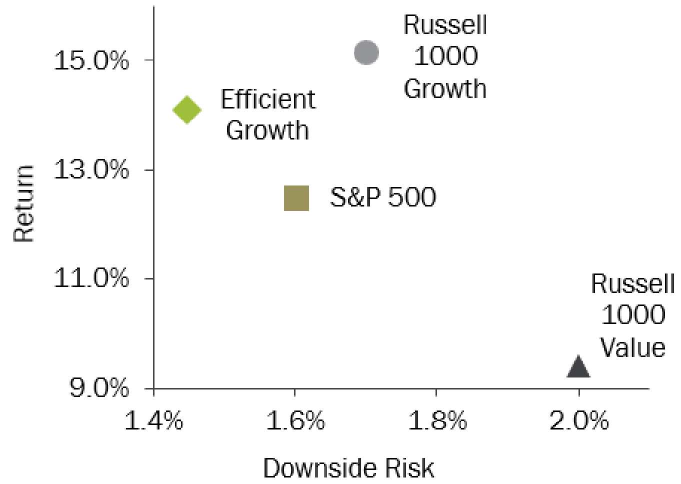
Zombies!: Over 16% of US publicly traded companies lack the cash flow to simply meet their interest payments. Passive portfolios make no effort to avoid companies that are effectively bankrupt.

Valuations: US total market cap to GDP is higher than any time in history. Overpaying is a poor investment practice.

Recession Risk: Recessions are an inevitable and integral element of the economic cycle. Odds of a recession in the near term are elevated.

Given the above, the risk/reward of owning passive and undisciplined growth strategies is incredibly poor. Know what you own. Efficient Growth invests away from companies with too much debt, avoids zombies, adheres to a rigid valuation discipline, and has historically performed well through recessions.* It's a time to be proactive, acknowledge the risks, and cover your butt.

Risk vs. Return, Gross (Sep. 2013 – Aug. 2019)



Performance Statistics, Gross (9/13 - 8/19)

	EG	S&P 500
Annualized Return	14.1%	12.5%
Up/Down Capture	100/86	100/100
Alpha	1.6%	0%
Ulcer Perf. Index	4.8	3.8
Sortino Ratio	1.6	1.4

Returns, Gross

	EG	S&P 500
August	-1.85%	-1.58%
YTD	22.13%	18.35%
Cumulative (9/13)	120%	103%

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.

Sincerely,

Seth

Seth L. Cogswell
Founder and CEO

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Investment Advisory Services are offered through Running Oak Capital, a registered investment adviser.

Past performance is no guarantee of future results. Performance expectations are no guarantee of future results; they reflect educated guesses that may or may not come to fruition. All indices are unmanaged and may not be invested into directly.

*While Efficient Growth has a 40 year history and 30 year track record, only the returns since 9/13 are GIPS verified. Returns prior to 9/13, while generated real-time and not a result of a back-test, are unaudited.

The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investments and strategies may be appropriate for you, consult with us at Running Oak Capital or another trusted investment adviser.

Stock prices and index returns provided by Standard & Poor's.