Running Oak's Efficient Growth portfolio outperformed the S&P 500 Total Return Index by 0.74% in May, -5.61% versus -6.35%. Here are a few quick takeaways:

- Since launch, Efficient Growth's annualized return of **13.3**%, gross of fees, is **1.4%** greater than that of the S&P 500 Total Return Index.

- Efficient Growth has generated **26%** more risk-adjusted return, gross of fees, than the S&P 500 Total Return Index.

- Efficient Growth achieved the above despite a poor environment for strategies focused on risk, valuation, and debt. How might it perform in a positive environment?

For more information, please see the strategy fact sheet.

I have always loved the phrase "don't look a gift horse in the mouth," largely because I had absolutely no idea what it meant. What's a gift horse? Isn't it better to look it in the mouth than the other end? I always got the gist of the phrase but just took to The Google to clarify. Back in the day, horses were evaluated by taking a look at their teeth, hence "don't be unappreciative and picky; just take a free horse when you get one." For those of you invested in pure large cap growth and passive equity, the market has just given you an incredible gift. Don't check its FAANG, just sell it and run.

Let's review the last week and a half:

- Monday, 6/3: Big tech sells off on intensifying antitrust focus.
- Tuesday, 6/4: The Fed's Powell comments that the Federal Reserve is "closely monitoring" trade developments and will "act as appropriate." The S&P 500 bounces almost 2.2% on a perceived impending rate cut.
- Friday, 6/7: Per ADP, job creation declines from 275,000 in April to 27,000 in May, missing estimates by 146,000. While this number can be volatile and May's number may be a blip, the S&P 500 rose almost 1.1%, once again, on a perceived impending rate cut.
- Monday, 6/10: An agreement is reached between the US and Mexico. The S&P 500 appreciates another 1.1% as of noon ET.

In sum, the Nasdaq bounced almost 8% in only five days, because Powell somewhat alluded to an interest rate cut (when three were already expected) due a trade war with Mexico - which has now apparently been resolved. Up 8% yet we're right back where we started.

Here's where the numbers gets particularly crazy. Antitrust scrutiny has increased significantly over the past week. Meanwhile, the companies most likely to be in the FTC's cross-hairs have bounced massively in just 5 days:

- Apple: +14.7%
- Microsoft: +12.7%
- Mastercard: +12.3%
- Amazon: +11.4%
- Facebook: +10.5%
- Visa: +9.7%

- Google: +6.6%

Microsoft, a trillion-dollar company and arguably a monopoly, bounced 12.7% in five trading days amid heightened antitrust scrutiny.

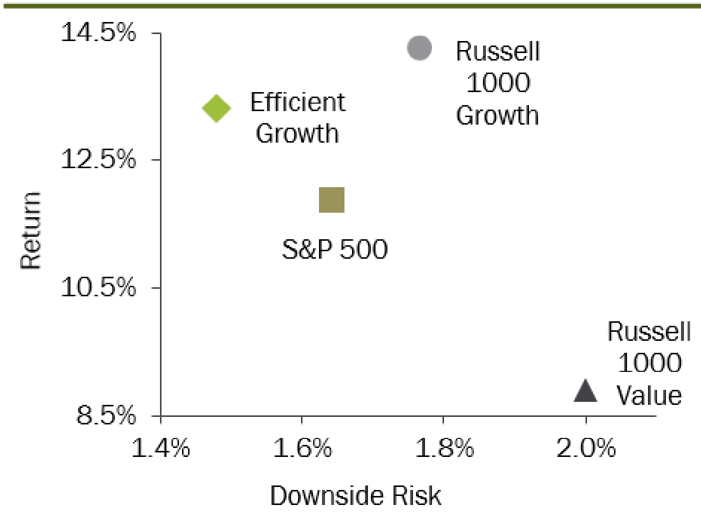
Equity investors are banking on the Federal Reserve's tendency to come to the rescue whenever the market sells off. Equity markets are up significantly on an anticipated rate cut, but why would the Federal Reserve rush to cut interest rates when equities are basically at all-time highs and unemployment is at its lowest level in six decades? It appears someone is putting the cart before the gift horse.

To be clear, I'm not recommending that you attempt to time the market and go to cash. I'm recommending that you flee posthaste from pure large cap growth (Apple and Microsoft up 14.7% and 12.3%, respectively, in only 5 days) and passive equity portfolios, which are significantly overweight big tech monopolies. Even if the overall market declines, investors of the right asset classes can do well. Large cap value (and Efficient Growth*) was up in 2000. Mid cap value (and Efficient Growth*) was up in 2000 and 2001. The key is to avoid landmines. Overvaluation and unsustainable debt are inevitable, yet avoidable, landmines that passive portfolios - because there's no one at the wheel - are heading straight for. There's no need to blow yourself up. Take your gift horse and mosey along.

Performance Statistics, Gross (9/13 - 5/19)

	EG	S&P 500
Annualized Return	13.3%	11.9%
Up/Down Capture	99/85	100/100
Alpha	1.4%	0%
Ulcer Perf. Index	5.0	4.1
Sortino Ratio	1.7	1.5

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



Returns, Gross

	EG	S&P 500
May	-5.61%	-6.35%
YTD	13.57%	10.73%
Cumulative (9/13)	105%	91%

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

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* Efficient Growth performance prior to September 2013 was generated real-time (not back-tested) but is unaudited. Past performance is no guarantee of future results. All indices are unmanaged and may not be invested into directly.

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.