KANOS
CAPITAL MANAGEMENT, LLC

First Quarter 2019 Investor Letter

Portfolio Comments

Kanos portfolios advanced during the first quarter as the Fed adjusted to an easier monetary stance, and the markets anticipated an economic recovery in the second half of 2019. Our portfolios advanced with the stock market, with our aggressive accounts rebounding the most as corporate buybacks powered stocks higher. We tweaked portfolios but did not reposition accounts completely during the quarter as we waited to see if the markets could recover their previous highs. We are still positioned with a "barbell" approach of stock market exposure, balancing stock market "beta" positions with fixed income and more defensive holdings due to the market's mixed signals. Most importantly, our portfolios continue to perform as designed. Read on to see what we see coming.

Market Analysis - Looking Forward

First quarter, the markets went through a huge rebound from the precipitous drops of 2018. These advances were mostly ignited by central banks around the world. US Federal Reserve (Fed) Chairman Jay Powell went from full-on hawkish in October 2018 to data-dependent (read: dovish) in December, augmented by the Fed's January meeting, where the Fed announced that further rate hikes would only occur if economic data mandated more tightening, and that the pace of quantitative tightening of the Fed's balance sheet (QT) was no longer "on autopilot." A series of precipitous drops in bond rates and the stock market, along with worsening economic statistics, made the Fed finally pay attention. We will talk about what the Fed and other central banks face in our commentary: "Fed, Fed…FED" at the end of this letter.

Economy

As introduced above, economies around the world have slowed since last summer, changing the economic landscape and causing financial markets to move significantly. These market changes have caused central banks to react much quicker than many anticipated, helping to arrest market weakness around the world.

In the US, retail sales have fallen for two of the last three months as consumers appear to retrench. Residential real estate starts and sales have fallen significantly for the past few months, as (formerly) higher interest rates and higher housing prices caused a large number of buyers to be priced out of many markets. Finally, auto sales, which had been strong for the past couple of years, have slacked off noticeably, causing idled plants and layoffs at both domestic and foreign automakers.

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First quarter GDP, reported out last week, was expected to drop to a 1.5-2.3% rate, a noticeable slowing. The report showed GDP growth at a surprising 3.2%, but the report contained many of the slowing statistics mentioned above. First and foremost, the component that best mirrors the consumer sector (up to 70% of the economy), Personal Consumption Contribution, showed the weakest quarter for household spending in five year, up just 0.82%. Imports dropped, as did factory activity. As David Rosenberg, chief economist for Gluskin Shelf and former Merrill Lynch chief economist, said on Twitter after the release: "This was a low-quality GDP report. All one-offs – lower imports, higher inventories & Pentagon spending. Real final private sales a puny 1.3% [growth]. Removing more lipstick from this pig shows cyclically-adjust GDP contracting at a 2% annual rate; deepest decline in nearly a decade." [emphasis mine] The headline 3.2% gain occurred due to: 1) 0.7% gain due to increased inventories (which would make $32 billion of activity, which economists have not been able to identify), 2) a very low inflation rate (not sustainable), which drove "real" growth higher for this report, and 3) improving trade, which was "goosed" by last minute trade trying to beat Trump's threatened tariffs and a "bump" in Chinese buying of US goods to try to show their goodwill in trade negotiations. We continue to believe the economy is slowing and think this GDP report will prove to be an outlier.

Other economies are also showing slower growth: Chinese manufacturing has shown a drop to around 6.0% growth, the slowest in 3+ years, while export growth in Germany has gone negative, driving the German economy to 0% growth in the last quarterly report of GDP. This slowing in the US, China and Germany, three leading world economies and the biggest on each of their continents, has begun to affect most other world economies, which pulled down confidence and stock markets last year. The strong dollar has cooled exports in a lot of emerging economies, making it seem like their stock market gains are a bit ahead of the anticipated stronger exports that would boost their economies. Falling demand and lower expected demand have led to lower inflation expectations across the globe, pushing down CPI and raising real interest rates. The rise in real interest rates (as inflation expectations are falling faster than interest rate decreases) has led to higher US dollar, Japanese yen and euro prices, pushing down emerging and developing country currencies and spreading the economic slowdown.

To further emphasize the vulnerability of even the US economy, Fed Fund futures markets have gone from pricing in as many as three rate hikes in the US in October of 2018, to currently pricing up to two rate CUTS in the next two years, including one this September. Why? During March, the US Treasury yield curve inverted all the way out to 10 years, with the pivotal 3-month/10-year yield spread dropping to a negative value for more than a week, which is a very good predictor of a recession happening in the next few months (historically a 6-18-month time lag). Typically, the yield curve accurately predicts slowing growth that will probably lead to a recession, but we don't think it will happen until possibly next fall at the earliest, with governments and central banks around the world fighting to keep growth continuing. The yield curve inversion of the 3-month/10-year has worked approximately 9 out of 10 times in the last 100+ years, except in 1966, so the predictive value is not to be dismissed.

Bottom line: the US economy is growing slowly (not yet in recession), and employment appears to be growing, but warning signs are becoming more numerous. Stock prices, on the other hand, seem to be reacting to easier central bank policies and continue to rally in the hope that governments and central banks will continue to keep the expansion occurring as they have almost continually since 2009.

International growth has for the most part been anemic, especially in non-US developed countries. The main country bucking that trend (besides the US) has been China, whose governmental and monetary authorities have opened the fiscal and money spigots to stimulate the slowing Chinese economy, second only to the stimulus implemented to moderate the Great Financial Crisis in 2008-2010. Chinese GDP growth is expected to slow to 6.4%, the slowest growth of its economy in more than 20 years.

Most European countries have seen their GDP growth drop near zero, with Italy around 0% and Germany expected to grow around 0.5% in 2018 and expected to continue into 2019. The United Kingdom, still caught in the morass of trying to figure out a mutually-agreeable Brexit plan, is expected to grow only 0.5-1.0% in 2019 after slowing to 1.4% in 2018. And Japan is still in an economic malaise, expecting to report only 1.3% growth during the year, after growing only 0.3% in 2018.

Emerging market economies are also generally weak, with commodity producing countries still suffering from moderating Chinese demand for raw materials. For example, Brazil and Argentina are expected to have GDP growth of less than 1% for the year, with Argentina risking falling into recession. India is also struggling with slow growth, having just grown its economy 1.6%; it is not expected to accelerate this year – about the same rate as other top-10 economies Canada and France. Only #10, South Korea, is expected to continue to have healthy growth, with economists forecasting 3.0% growth for the Asian powerhouse.

Thus, world economic growth is punctuated by a "muddling through" environment, where catalysts for growth are currently lacking. The US (and Chinese) stock markets have built in a US-Chinese trade deal (expected to be agreed upon this summer), and the deal is expected to act as a catalyst for renewed economic growth. However, with exports being a small part of the US economy, and Chinese exports not having suffered appreciably during the recent "tariff scare," we are skeptical that an improved trade environment does anything else but re-establish the "status quo ante" of 2017-2018, which had some increased growth mostly due to restocking after the 2015-2016 world economic slowdown.

Equities

US and world equities have started April with a bang as hopes for a second-half-of-the-year economic recovery dominate investors' thoughts. Strong corporate buybacks have added to the buying in the first quarter and is expected to continue (after the "blackout" prohibiting buying around earnings announcements is finished). April has been an "up" month in the stock market for the last 13 years, so investors have tried to take advantage of that. We continue to maintain our overweight toward stock positions.

However, there are some serious concerns. As covered below in the 'Bonds' section, the Treasury curve continues to maintain an inversion in the middle of the curve, emphasizing market participants strong preference for holding 3-7-year Treasuries over other investments due to continuing recession threats.

In addition, volume during the 2019 advance has been very low by historical standards, although market breadth (the amount of stocks going up) has been good, indicating that the majority of the money being invested is in large index baskets, which is passively-invested capital put to work in stocks formulaically (not for valuation reasons). For value investors like us, a market with corporate buybacks and index investing comprising the vast majority of the advance is disconcerting, as active investors' non-participation is an indication of overvaluation. We are concerned these valuation judgements, combined with the looming indicators of future recession, could lead to a market correction. Thus, we are not committing all our cash to the market, even though we have maintained our overweights.

Another point has been the continued strength of the US dollar – a strong US dollar makes our exports more expensive for international customers, and strong dollar environments are typically hard on emerging and developing markets because of so much dollar-denominated debt issued by companies around the world, making interest and repayment more expensive. We have picked potential stocks and international stock baskets in which to invest but have stayed in cash to see if the US dollar is going to break out and send international stocks into a correction. If markets correct, we will step aside and wait for a better entry point. So far, the dollar is at the high end of its range but has not gotten stronger.

Finally, speculative fervor has flared again in the US during 2019 in the all-too-familiar IPO arena. A large number of IPOs have been filed during 2019, leading us to remember our late 1990s experience when IPOs were all the rage and non-viable companies were funded almost indiscriminately until the whole thing collapsed in 2000-2002. Unfortunately, there are a large number of concerning signs: 1) tech "unicorns," companies that reached $1 billion+ valuations as private companies, have filed en masse for IPOs this year; it is concerning because these unicorns stayed private during the mid-2010s because they didn't need the public markets to attract new capital – they did so via the private market. However, public markets are needed for <u>selling</u>; i.e. they attracted the capital to grow on their own terms, but must go to public markets for insiders, management and early shareholders to be able to sell positions. This makes us uneasy if those insiders are looking for ways to sell. 2) Early IPOs done in 2019 have had mixed results, at best. Lyft, the smaller of the two giant ride-sharing companies, went public in late March at $72/share, opened at $85/share and has traded pretty much straight down ever since, closing at $58.36/share on April 18, down almost -19% from its offering price – very poor price action, especially considering Uber, the larger of the two, is expected to go public in a couple of weeks, with much more stock to sell. 3) indiscriminate, sloppy trading is occurring by unsophisticated investors, which is a classic indicator of "toppy" behavior: a tech IPO that came public on April 17, Zoom Video Communications (Nasdaq: ZM), which stock issued at $36/share, peaking the first day at $66/share and trading in the low $60s/share afterward. However, the week of the offering, Zoom Technologies (Nasdaq: ZOOM), a Chinese shell company that used to sell communications equipment, with only $6 million in market capitalization, rocketed from $1.50/share to $6/share the week before ZM went public (and then traded back to $1.00/share). On the day ZM started trading after its IPO, ZOOM again traded from the $1.90/share to $5/share, falling back to $2.50/share by the end of the day. All this action was because small speculators confused the new IPO, ZM, with the worthless Chinese shell, which conveniently had the ticker ZOOM. When people who cannot even get the company name/stock ticker correct pour money into the speculative part of the stock market to try to make "easy money," we are probably near a top. And finally, 4) when local government officials are speculating in the stock market with their campaign funds to make extra "easy" money, it indicates we must be near

the top. The Houston Chronicle has run two articles recently on Harris County Commissioners who have the majority or all of their extra campaign funds being traded in the stock market by the officials themselves. An April 22 article on Harris County Commissioner Rodney Ellis gloating that he buys and sells in the stock market with most or all of his campaign funds is disconcerting enough. A March 24, 2019 article in the Houston Chronicle tells the story about El Franco Lee, another Harris County Commissioner – who died three years ago – still has $3.8 million in his campaign account that his widow and campaign treasurer, Ethel Kaye Lee, is actively investing in tech in the stock market, although some is managed by an investment management firm. When elected officials are speculating in the stock market (especially after the volatility we saw in both February and October-December 2018 in the markets), speculative fervor has to be near or at highs.

One last point: we sold our Apple stock after Apple's January earnings announcement in which they revealed a continued lack of growth in iPhone sales, while obscuring the fact by discontinuing iPhone unit sales numbers. We now feel that the lack of recent innovation, coupled with the high ASPs (average selling price) of the iPhone, will limit its growth, leading to an overvaluation of the stock. Their recent failure to even continue with a non-wired charging system, announced a couple of years ago with such fanfare, shows this ossification of the company. In addition, they have decided to enter the very crowded and competitive TV/media provider market, populated by behemoths like Disney, Comcast/NBC/Universal, Fox, CBS, Dow Jones, Financial Times and many others – not exactly a place to extract above-average margins that have made the company attractive over the last few years. We look forward to Apple re-emerging as in innovator in the future, but we are not expecting it anytime soon based on recent history. I think Apple's quandary is symptomatic of the markets in general – very highly valued stocks with high expectations of constantly growing cash flows but a distinct lack of "killer apps" or innovations to allow the high margins needed to show growing cash flows for these large companies. Heaven help the market if internet advertising ever stops growing or suffers noticeable price competition! (Google reported quarterly results as we were going to press and lower than expected growth in ad revenues, leading to a drop in the stock – KS).

With all that said, we continue to monitor conditions on a daily basis, adjusting portfolios in ways we think will help add return potential while trying to take measured risk. If markets continue to advance, we will be adding exposure to take advantage of a new leg up with measured risk-taking.

As stated above, we continue to be concerned about investing overseas with a strong dollar looming, so we will wait to see what the US dollar does before committing significantly to overseas positions. However, if the US dollar weakens, we will be putting money to work in a few attractive international situations.

Bonds

Interest rates have backed off their highs of late March as stock prices have risen in April, including here in the US, giving some investors hope that the economic slowing has bottomed. However, looking at year-on-year comparisons, the US economy continues to slow, and bond investors continue to put money to work, keeping bond prices high and interest rates low.

We feel we have adequate allocations to Treasuries and other bonds, so we don't see committing more money to fixed income except in income accounts in which we are always looking for attractive yields at reasonable risk levels.

International bonds seem to us to be poor risk/reward situations with both European and Japanese sovereigns and corporates propped up by central bank bond-buying. If either the ECB or BOJ decide to lower their support levels, bonds could lose a lot of value. If not, many European and Japanese bonds have negative interest rates still! This means that you are paying to have these entities borrow your money, and you can only make money by selling them for a higher price than your purchase price. Talk about unattractive!

Currencies

With a strong US dollar, we have not found any interesting situations to diversify away our currency exposure. Like bonds, European and Japanese currencies look more attractive as sales than purchases. Australia and Canada (even with Alberta having the conservatives win their regional elections) are both in the midst of real estate market corrections, and both central banks look to be leaning toward interest rate cuts, meaning their currencies don't look attractive either. We will continue to monitor things, but don't anticipate new currency-based positions anytime soon.

Energy

Despite slower growth in US and world economies, under-investment in energy around the world in the past couple of years due to lower prices have weighed on supplies, so the Libyan civil war, the Venezuelan socialist implosion and the US re-imposition of economic sanctions on Iran have led to concerns about gasoline supplies worldwide. Crude and gasoline prices have stayed strong into April, and we have maintained our investment in supermajors, preferring their mix of exploration & production exposure coupled with their large refinery capacities, sharing in their profits from higher crude oil prices (E&P) and gasoline prices (refining).

We anticipate expanding our equal-weighted investments in energy if the US dollar drops from the high end of its recent trading range. A lower US dollar will make energy more attractive, so we will be cautious with a strong dollar but are attracted by energy investments up and down the energy value chain due to attractive fundamentals and still-reasonable valuations and yields.

Commodities/Precious Metals

The US dollar has also kept a lid on commodities and precious metals prices during April, limiting any incremental investment in these areas. Limited access to Brazilian iron ore due to the large dam disaster in northern Brazil earlier this year has led to a rally in many large commodity producers with iron ore operations this spring, but we have resisted participating in this rally until we see better fundamentals (and a dropping US dollar).

We plan to diversify our portfolios somewhat into base metals and agricultural companies at attractive times. Our precious metals exposures will stay at current levels as gold and silver give back some 2019 gains during April. We could cut back on those exposures if fundamental deteriorate.

Kanos Quarterly Commentary

Fed, Fed, FED ..... Why do we care so much about the Fed?

It seems like, these days, if you listen to financial television or read the financial press (or read our quarterly letters), there is always a concentration, or at least some mention, of the Fed. That leads to our headline, inspired by Jan Brady of the TV show, *The Brady Bunch*; whenever Jan was annoyed by something related to her older sister Marcia, she usually ended up saying in exasperation: "Marcia, Marcia ... MARCIA!" We are exasperated that we have to monitor, respond to, and anticipate what a bunch of unelected bureaucrats do on a daily, weekly, and monthly basis to better manage your investments. As Jan might say: "It doesn't seem right!" However, we are going to delve into the subject once again to illustrate why, unfortunately, the Fed is even more important than it used to be to financial markets, and why we must continue to keep tabs on their thinking and actions.

To review, the Fed is really the Federal Reserve Open Market Committee (sometimes called the FOMC), which is the governing body for the system of twelve Federal Reserve Banks around the U.S. These Federal Reserve banks regulate many of the banks around the country, conduct research about money, banking and business in their region and help decide the monetary policy of the United States through their participation in periodic FOMC meetings. The FOMC also has up to five Governors which are not affiliated with any regional Federal Reserve bank. These Fed Governors are academic or business veterans who use their experience and the Fed's large staff of economists and statisticians to monitor economic growth and set policy. The Fed is, of course, led by an independent Fed Governor named Chairman of the Federal Reserve by the President of the United States for a four-year term (and ratified by the Senate). The Fed Chairman leads the Fed Governors and Federal Reserve Bank Presidents (who don't all vote each year – the vote rotates among them each year) in approximately 8-10 FOMC meetings per year where monetary policy is discussed and either reaffirmed or changed by vote of the Committee.

Once the FOMC reaches a decision (for example on interest rates), the main Federal Reserve Bank, the New York Fed, buys or sells U.S. Government Treasury bonds to increase or decrease the amount of money in the financial system. This change in the money supply affects short-term interest rates, moving them in the direction the FOMC has decided. In recent years, the FOMC decided to buy longer-term Treasury bond (and also mortgage bonds) in three episodes of "quantitative easing," designed to lower longer-term interest rates, which then pushed down the cost of borrowing for homebuyers, businesses, commercial real estate operators and other borrowers (including federal, state and local governments), which allowed for growth to be pulled forward in the US economy. These were known as QE1, QE2 and QE3 colloquially.

Fed Governors and Fed Bank Presidents give speeches periodically, which helps the financial and business communities get to know each official and get a sense of their economic/business training, views and potential future voting stances so that Fed policy can be more predictable and businesses can plan for the future without too much concern that Fed policy will change quickly. The FOMC is also aware of this and tries to use their post-meeting press conferences, release of meeting minutes weeks after each meeting, and their speeches/Federal Reserve academic papers to hint at how views are changing, which could lead to changes in monetary policy over the next couple of meetings. Thus, the Fed tries to "telegraph" their general views on the state of the economy in the US, their feelings about how "tight" or "loose" monetary conditions are in the US and how they might react in the next few months to changes in conditions.

So, why do we have to keep tabs on something that seems like it moves slowly and with notice? The big reason is that markets react to changes nearly instantaneously and project further changes far in advance of those actual changes. This "discounting" of future events into the present is one of the greatest aspects of financial markets; markets incorporate news quickly and allow market participants to buy or sell with the latest information without having to wait for bureaucracies or other slow-moving processes to catch up. The markets also react to changing conditions far faster than a human, committee-dominated government institution. Thus, the Fed, while it implements policy, many times does so after the market has de facto implemented the policy already. One example of this is how the market anticipates the approach of a recession: inverting the yield curve, where investors buy long-term Treasuries in such volume that their prices rise and their yields fall until the yields on 10-year (and even 30-year) bonds are lower than short-term rates. This happens when investors want to preserve capital and are willing to accept lower long-term rates to stay safe when they anticipate recessionary conditions, which cause stocks to drop, some companies to go bankrupt or become distressed, driving down corporate bond values.

In 2018, we were at a point where the Fed was on a course to "normalize" interest rates. After the interest rate increase in September, the financial markets reacted badly, with longer term rates moving lower and stock prices dropping in October but recovering somewhat in November. Chairman Powell's speech in early October saying that short-term interest rates "were nowhere near neutral" is widely cited as a "policy error," causing markets to take long-term rates lower, signaling slowing economic growth and the possibility of recession. The Fed's added interest rate increase in December was also poorly received, with late December stock markets falling precipitously and long-term interest rates in the market falling after the Fed's short-term rate hike, signaling the collectively market decision that the US was more certainly headed for recession in 2019. Only Powell's immediate about-face, changing his forecast to say that rates were "near or at neutral," and then his admission that short-term rate hikes were over, saved markets from melting down. In January 2019, the Fed formalized the early comments by Chairman Powell, calling off further rate increases and signaling that QT tightening would be ending during 2019. The March 2019 Fed meeting formalized this too, by setting a timetable in which QT would be completely discontinued in October 2019.

The stock market, which had experienced the worst Christmas Eve drop in the last 100 years or more, stabilized on the Fed's pronouncements, and as each commentary by Chairman Powell or meeting

pronouncement further formalized the Fed's move to neutrality/dovishness from last fall's acute hawkishness, the markets recovered and rose. But at what cost?

The stock market has recovered to the highs of 2018 after the abrupt about-face by the Fed. Chairman Powell's resoluteness to raise rates to a point where they could be dropped effectively to fight economic weakness during the next recession has evaporated after sudden late-2018 stock market weakness and grousing by Wall Street, the Trump Administration, the financial services business and 401k savers. Does this about face signal that the Fed will soften policy abruptly on any real stock market weakness? The market didn't even drop 20% from peak-to-trough and the drop was from all-time highs, at very high valuations, by historical standards. Stock markets have historically had 20%+ drawdowns every other year or so, which helps to keep a lid on unfettered speculation. We don't know what precedents have been set, but we feel better about having investments that aren't hurt as badly when inflation increases. We feel that big stock market investors will demand Fed action when stock markets drop more than 10% going forward, putting the Fed in a quandary: lower rates with stocks at high levels or fail to act and be criticized forcefully while the stock market potentially "melts down." The Fed has truly painted itself into a corner from which it is harder and harder to escape.

The reactions in the bond markets are more of a concern. Even with the actions of the Fed described above, long-term Treasury rates dropped almost 1% from the highs of 2018, bottoming around 2.35% (for the 10-year) in March. With effective Fed funds rates at 2.40%, this led to a few days of inversion of the Treasury yield curve at all maturities up to 10-year bonds. Inversions of the Treasury yield curve are classic signals of a coming recession. And recessions are frequently set off by the Fed over-tightening, leading to tighter financial conditions than the economy can stand, leading to economic distress of weaker entities. Signs of over-tightening, or the aforementioned "policy error" by the Fed, were further signaled in the Fed funds market, which has priced in a rate cut in 2019 and as many as two rate cuts by the end of 2020. For an economy that was expecting as many as four rate increases in 2019 (as recently as last September), it seems like economic conditions have deteriorated very quickly.

The stock market has just recently recovered all of its 2018 losses, but it has done so by projecting strong earnings increases in the second half of 2019, especially in the fourth quarter. Again, economic data is not providing any path toward such a recovery, and catalysts for renewed growth have yet to be revealed, absent the potential calming of the trade tensions between China and the US that supposedly will be "solved" by a comprehensive trade deal. "Flies in the proverbial ointment" for such economic acceleration include: rising oil prices, political/economic concerns of an extended or agreement-less Brexit, building political turmoil in France and Italy, uneven situations in Venezuela, Argentina and even Brazil and growing tensions between China and Japan – all of which have the ability to go from political to economic, hurting growth prospects.

We anticipate the slowing of worldwide economic growth to end up being the defining story of 2019, although an announcement of a trade deal between the US and China could reinvigorate some growth temporarily for a quarter or two if it is reached during the second quarter (and ratified by the US Congress, not necessarily a slam dunk at all). Meanwhile, we have the Fed espousing a dovish story and set to wind down QT over the summer to a full stop in the fall, cutting down on the removal of liquidity occurring under QT. Will the Fed's ending of QT, coupled with placing its rate hiking on hold, be

enough to stop the slowing of the US economy, or will critics, pundits and FOMC members start calling for more explicit dovish actions during the year? The continued strength of the US dollar worldwide has led to falling purchasing power by virtually all other currencies, making US exports (including crop exports which are currently the most expensive in the world) less attractive on a pricing basis, which should lead to falling export levels, hurting US growth in that sector. We see the Fed continuing to feel like they have to "do something" in the future, and unfortunately, we will be paying a lot of attention to Fed actions going forward, whether we are tired of it or not.

Follow Up on Last Quarter's Slowdown/Recession Analysis
Conclusion

The conclusion is, of course, that there is no conclusion yet. This is not "the big one" yet, as the market has acted "according to a familiar script" where weakness has been followed by a classic rebound. Although we haven't talked about fundamentals during this discussion, many in the financial markets attribute some or much of the weakness to the continued hawkishness of the Fed during the October-December period, hurting investor sentiment and causing market participants to downgrade their business activity and profit predictions. The Fed has walked back its rhetoric during January 2019, arresting some of the weakness in the market.

However, we have seen many studies pointing to a global recession and US weakening. So, although the Fed has started to talk about change, there has been no action to lower interest rates or loosen economic conditions through their programs (until QT actually starts to wind down). Thus, until market indicators reverse course, we are prepared for, and continue to react to, weakening conditions with investments that can hold their value and pay dividends/interest, while finding companies and sectors that can grow despite an overall weak economy.

The Managers of Kanos Capital Management
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