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Equity investors could not have asked for a better start to 2019. All major equity averages appreciated more than ten percent in the opening quarter. Many well-known companies such as Levi Strauss, Uber, Pinterest, and Lyft are rushing to complete their initial public offerings (IPOs) in order to take advantage of the current strength in the equity markets. Despite this impressive start to the year, investors do not appear to be overly optimistic. According to Lipper, equity investors made rather large redemptions in the first quarter which likely reflects their collective angst. After raising rates four times in 2018, the Federal Reserve indicated it is unlikely to raise rates at all in 2019. This paradoxical environment featuring market gains against a somewhat skeptical global economic backdrop is currently serving as the ideal elixir for market advancement.

The Federal Reserve and its Chairman, Jerome Powell, was the dominant force driving the markets for the last six months. In October 2018, Chairman Powell stated monetary policy is still far from a state of normalization and seemed to signal several interest rate hikes throughout 2019. Based primarily on these comments, the markets sold off in the fourth quarter of 2018. Following the Federal Reserve's rate hike in December 2018, the Fed Chairman was more dovish with respect to future rate hikes, to the point of suggesting there will be none in 2019. This shift drove the markets up more than 20 percent since their Christmas Eve 2018 lows.

Generally speaking, the domestic economy continues to perform well. The labor markets are robust, with unemployment rates near record lows. We have witnessed unprecedented growth in the labor market as the economy added jobs for a record 101 consecutive months. Importantly, inflation, while present, remains at a healthy rate near the Fed's two percent target.

The rest of the world is not exhibiting the same level of economic strength as the United States. Even against the backdrop of modest expectations, global economic growth has been anemic despite efforts by major regions such as the European Union and China to stimulate their economies. We witnessed this slowing global growth adversely impact reported earnings for companies with international exposure. Many multinational companies guided their earnings

expectations lower to reflect this weakness, and corporate profit growth is expected to decelerate in 2019. However, according to FactSet, profits should still grow mid-single digits for the full year. Furthermore, though trade tensions remain, optimism does exist that the United States and China will ultimately reach some type of trade deal.

The Riverbridge investment team remains resolute in seeking differentiated companies with enduring strategic market positions.

Given the tight labor markets, an area of strength are our business services companies. Many of our portfolio companies seek to enable their customers to operate more efficiently. From a customer perspective, this allows for continued growth even in challenging labor markets. These types of companies feature high degrees of recurring revenue and are difficult to displace. In general, our portfolio companies remain well positioned to thrive in the current global economic landscape.

From a broader perspective, the present mix of optimism and skepticism may continue to be a good balance for long-term investors. For those lacking conviction, it is easy to find reasons to avoid this market. These short-term oriented investors likely missed this strong start to 2019. Investor skepticism serves to prevent equity valuations from becoming extreme and causing highly volatile market swings. Respectable corporate earnings growth, modest inflation, and an accommodative Federal Reserve provide solid underpinnings for continued market advancement. Investors with higher degrees of conviction and patience should be rewarded in this type of market.

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