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Hillman Capital Management
2nd Quarter 2017
Market Commentary

At Hillman Capital Management (HCM) we strive to prudently add value for our clients over the long term. In doing so, we work hard to construct and maintain portfolios appropriate for the goals, risk tolerance and time horizon for each client. Within the equity component of our portfolios, we take a long-term approach to investing, investing in companies that we believe to enjoy sustainable competitive advantage. Our goal is to purchase securities of advantaged firms when they sell at a discount to estimates of intrinsic value. We believe that our approach may offer a prudent way to control risk, with the potential to outperform the market over time. Within that context, we offer a quarterly commentary.

We all remember the financial crisis of 2008. Perhaps this explains why the slow, steady economic expansion has continued for so long. Americans have produced and consumed with just enough confidence, but stayed reasonable, neither spending nor borrowing with reckless abandon. For this reason, the rest of this report may seem like “dépjà vu all over again”. The S&P 500 TR Index achieved a return of 3.09% for the quarter. This is the benchmark’s 7th consecutive quarterly gain and the 17th positive return in the last 18 quarters. Domestic Small Cap Stocks lagged Large Cap Stocks, with the Russell 2000 TR Index increasing by 2.46%. Emerging markets investors pushed the MSCI Emerging Markets Index up by 6.27% and the MSCI EAFE Index rose 6.12%.

The domestic credit markets continue to anticipate a gradual tightening of short term rates on the path to normalization. Little changed during the quarter, with the yield on the benchmark Ten Year US Treasury Note ending the quarter at 2.31%, after settling at 2.40% on March 31, 2017. The yield on the German Ten Year Government Bond and the Japanese Ten-Year Government Bond rose modestly, ended the quarter at 0.465% and 0.084% respectively.

Uncertainty over the extent to which the Trump Administration can shape regulatory, health care and tax legislation continued to dominate the political scene and popular discourse in the United States, but people continue to work and spend money and businesses continue to strive towards maximizing value for customers and shareholders. Here at HCM, we will remain disciplined.

We will continue to focus our energies on making prudent long term investment decisions within the context of our clients’ needs. Our equity strategies continue to be driven by our core belief that competitively advantaged companies will outperform their peers through economic cycles and market cycles. Our goal is to invest in great enterprises at attractive prices. We will continue to invest according to this precept for the long-term interests of our clients.

Disclosure:

Past performance is not indicative of future results. Hillman Capital Management, Inc. is an independent registered investment advisor. More information about the about the advisor including its investment strategies and objectives can be obtained by visiting www.hillmancapital.com. The firm maintains a complete list and description of composites, which is available upon request. Visit our website for a fully compliant performance presentation. HCM-17-52