



Hillman Capital Management  
4th Quarter 2019  
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, investing in companies that we believe 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.

On October 30, the Federal Reserve Bank cut the target federal funds rate by 25 basis points for the third time in as many months. This contributed to an optimistic outlook, and the Russell 1000 Value TR Index and the S&P 500 TR Index climbed 7.41% and 9.07%, respectively. With the Trump administration waging a trade war during an aging economic expansion, the FOMC continued to work to mitigate economic risks to growth and employment. Fed action likely encouraged investors to deploy capital, with the Russell 2000 TR Index rising 9.94% and the MSCI EAFE Index and MSCI Emerging Markets Index increasing by 8.21% and 11.92%, respectively.

Buoyed by hope for continued economic growth, the yield on the benchmark Ten Year US Treasury Note rose 24 bps to 1.92%. Developed markets acted similarly, with the yield on the German Ten Year Government Bond and the Japanese Ten-Year Government Bond rebounding to -0.187% and -0.022% respectively.

We continue to see the moderate and steady economic growth that has benefitted investors over the last nine years, without signs of the type of bubble that often leads to economic difficulties. The environment characterized by muted risk-taking in the wake of the 2008 financial crisis has continued, likely because of political instability, rising federal budget deficits and the effects of trade wars. The growth rate of this expansion has been significantly slower than the rate of GDP growth of other positive economic cycles of the last 50 years. Given the manageable rate of growth and the tame inflation outlook, it is conceivable that this expansion could continue for quite some time, albeit, not without significant disruptions and dislocations along the way. Neither noise nor volatility will distract us from our disciplined long-term approach to investing.

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. Registration does not imply a certain level of skill or training. More information about the advisor including its investment strategies and objectives can be obtained by visiting [www.hillmancapital.com](http://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-20-09