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Seelaus Asset Management, LLC Monthly Equity Update

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Dear Friends:

Amongst the S & P 500 industry groups, Industrial stocks (+7.39%) led the performance derby as trade issues eased, while Health Care issues (+6.55%) rebounded as investors sought out laggards. Financials (+5.11%) also outperformed as bond yields rose and investors began to question how fast the Federal Reserve would raise short term interest rates. Energy issues rose a modest 1.55% , Utilities gained only 1.60% and Consumer Discretionary stocks gained just 1.80%. As mentioned above, value stocks outperformed growth as technology stocks finally suffered a minor correction and investors rotated into better values. We view this rotation as a healthy maturation of the bull market and expect the rotation will continue in the months ahead as some of the FAANGs (Facebook, Amazon, Apple, Netflix and Google) have lost some of their bite.

The economy continues to advance at a solid pace as industrial activity remains robust, although July's Institute of Supply Management (ISM) report of economic activity showed modestly slower growth than the month before. Nevertheless, an ISM reading of 58.1 is very strong (over 50 indicates growth) and suggests continued healthy earnings reports from industrial companies. Corporate earnings have been very strong due to lower corporate tax rates and a very strong business climate, with second quarter GDP exhibiting a 4.1% gain. Job growth is solid, the unemployment rate has fallen below 4% and consumer wages are growing at a 2.7% annual rate due to the tightening labor market. While the housing market has shown signs of cooling in some areas due to tax law changes, prices continue to advance. Inflation has become a reality and more companies need to raise prices to offset rising wage and other costs. As such, it is critical to focus an investment portfolio on those companies with the capability to pass on higher costs and to maintain margins in an increasingly difficult environment. Trade wars could only exacerbate the issues of rising costs and is why investors have become hyper focused on who the winners and losers are should trade tensions escalate. For now, we are confident that the economic outlook is robust and the strong tailwinds will cause further profit growth into 2019 and that augurs well for the equity market in the second half of 2018.

We are honored to manage a portion of your investment portfolio and, as always, welcome your comments and questions.

Sincerely,

A handwritten signature in black ink, appearing to read "James P. O'Mealia", is written over a light blue horizontal line.

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James P. O’Mealia joined the Seelaus Asset Management investment team as the Head of Equity Portfolio Management in April 2017 as part of the firm’s acquisition of Sunnymeath Asset Management, Inc. James manages separately managed equity and balanced accounts for institutions, foundations, and high-net-worth individuals, as well as five private limited partnerships.

Seelaus Asset Management, LLC (“Seelaus AM”) is a privately held U.S. Securities and Exchange Commission registered investment advisor that specializes in fixed income portfolio management and tactical asset allocation investment strategies for private clients, family offices, financial advisors, insurance companies, pension plans, and other institutional investors. Seelaus AM is qualified to do business in various state jurisdictions where required.

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