

Sather Financial Group, Inc.

Private Wealth Management

Third Quarter 2019 Commentary

A Strong Year For Stocks Despite The Political Noise

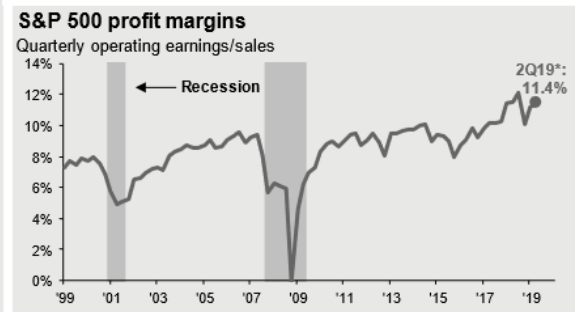
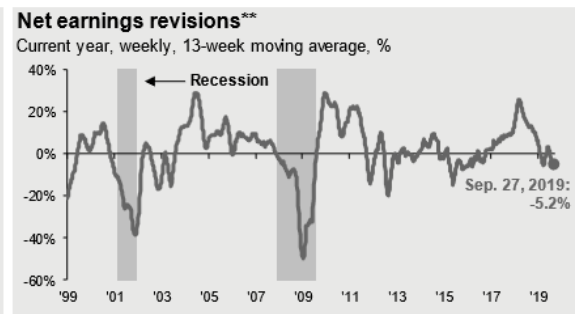
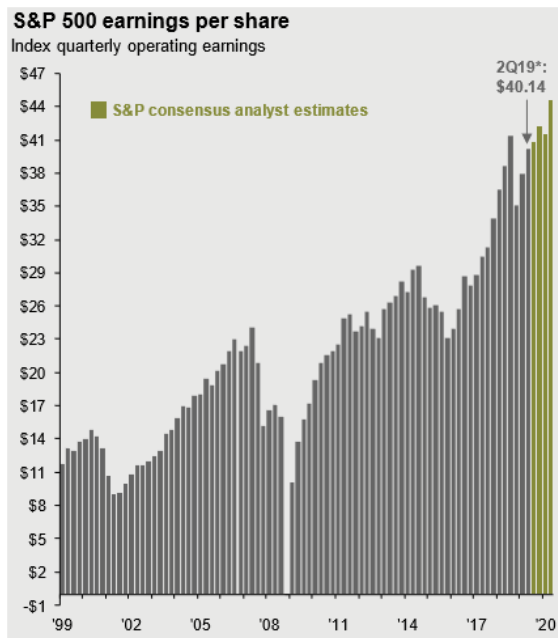
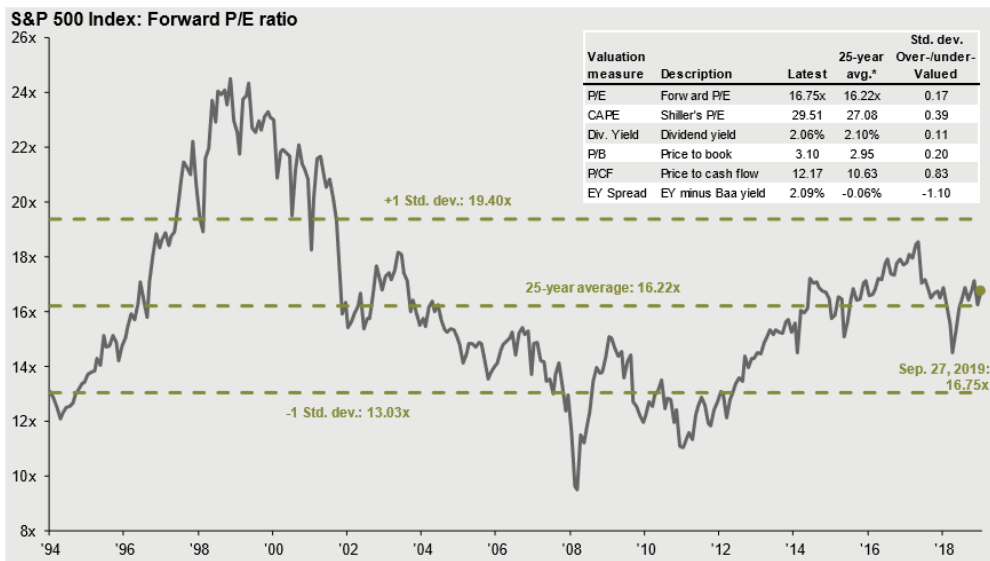
Going into the final quarter of the year, the performance of the U.S. stock market has been admirable. This has been despite the non-stop worrying about a potential recession and impeachment inquiries.

Although we never believed the data reflected a recession, we simply do not know what will happen with the impeachment inquiry.

Regardless, we are confident that the businesses we own will remain highly profitable no matter who the president is.

According to BTN Research, between 1994 and 2018 (25 years), the S&P 500 stock index has gained an average of +4.3% (total return) over the final 3 months of the year (October-November-December). More than 75% of the time, the fourth quarter has produced a positive total return gain.

The valuation of the market is approximately at its 50 year average at 16.75X (up from 14.4X at the end of the year) while profit margins remain decent.



Although the stock market is traditionally thought of as a growth vehicle, stocks also provide income. With the 10-Year US Treasury at 1.6%, the options for traditional fixed income investors remain slim.

Instead, investors willing to tolerate the volatility of stocks, can derive a better cash flow yield than fixed income. Furthermore, over time the cash flow from stocks has traditionally increased.

COUNT OF S&P 500 DIVIDEND ACTIONS	INCREASES	INITIATIONS	DECREASES	CESSATIONS
2019 (as of 9.19.19)	258	6	6	0
2018	374	6	3	0
2017	351	5	9	2
2016	344	7	19	2
2015	344	7	16	3
2014	375	8	8	0
2013	366	15	12	0
2012	333	15	11	1
2011	320	22	5	0
2010	243	13	4	1
2009	151	6	68	10
2008	236	5	40	22
2007	287	11	8	4
2006	299	6	7	3

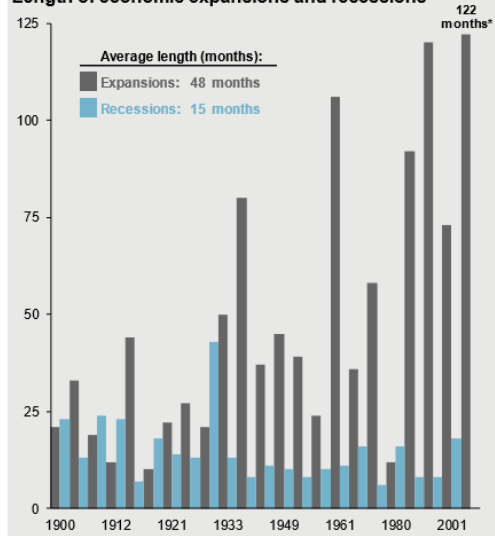
Source: Standard & Poor's.

S&P 500 DIVIDENDS PER SHARE	
2020 (Est.)	\$62.37
2019 (Est.)	\$58.44
2018	\$53.86
2017	\$50.47
2016	\$46.73
2015	\$43.49
2014	\$39.44
2013	\$34.99
2012	\$31.25
2011	\$26.43
2010	\$22.73
2009	\$22.41
2008	\$28.39
2007	\$27.73
2006	\$24.88

Source: Bloomberg. As of 9.20.19

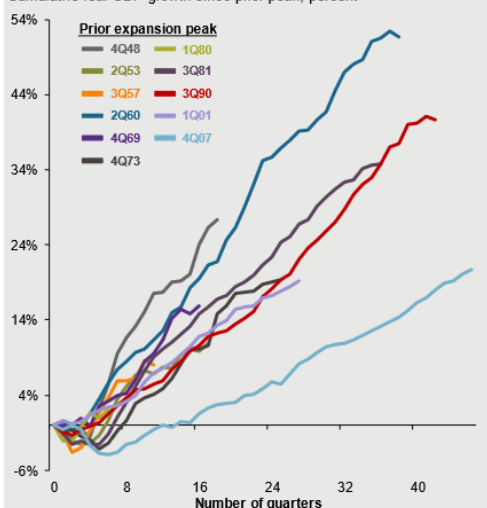
The economy continues to improve with a current growth rate a little better than 2%.

Length of economic expansions and recessions



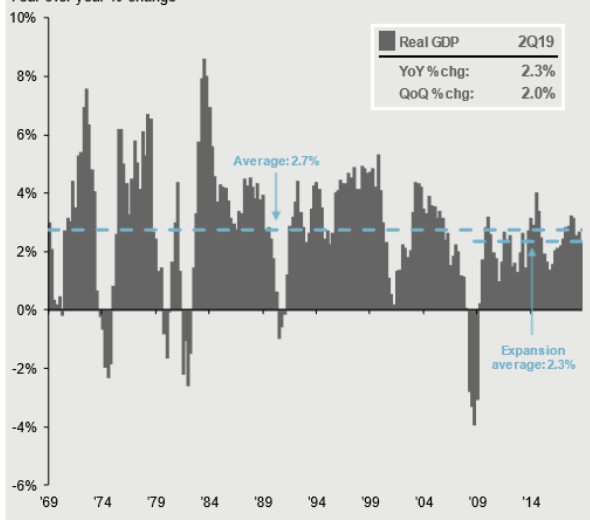
Strength of economic expansions

Cumulative real GDP growth since prior peak, percent



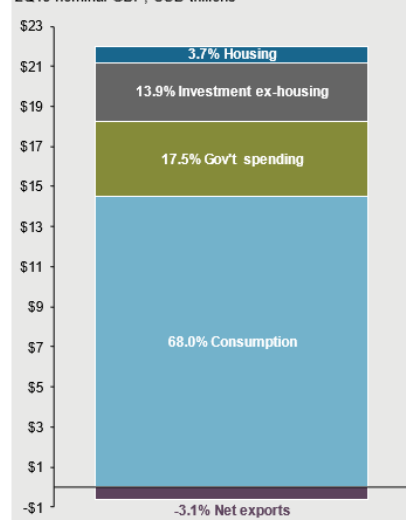
Real GDP

Year-over-year % change

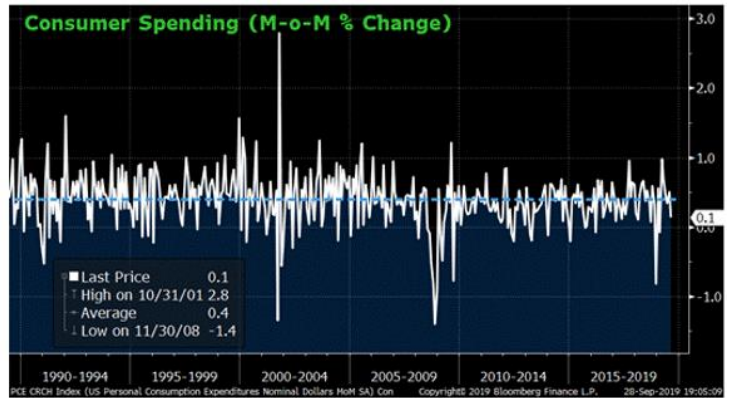
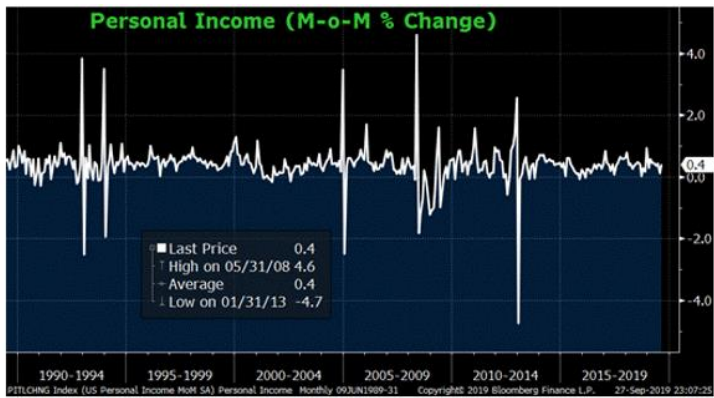
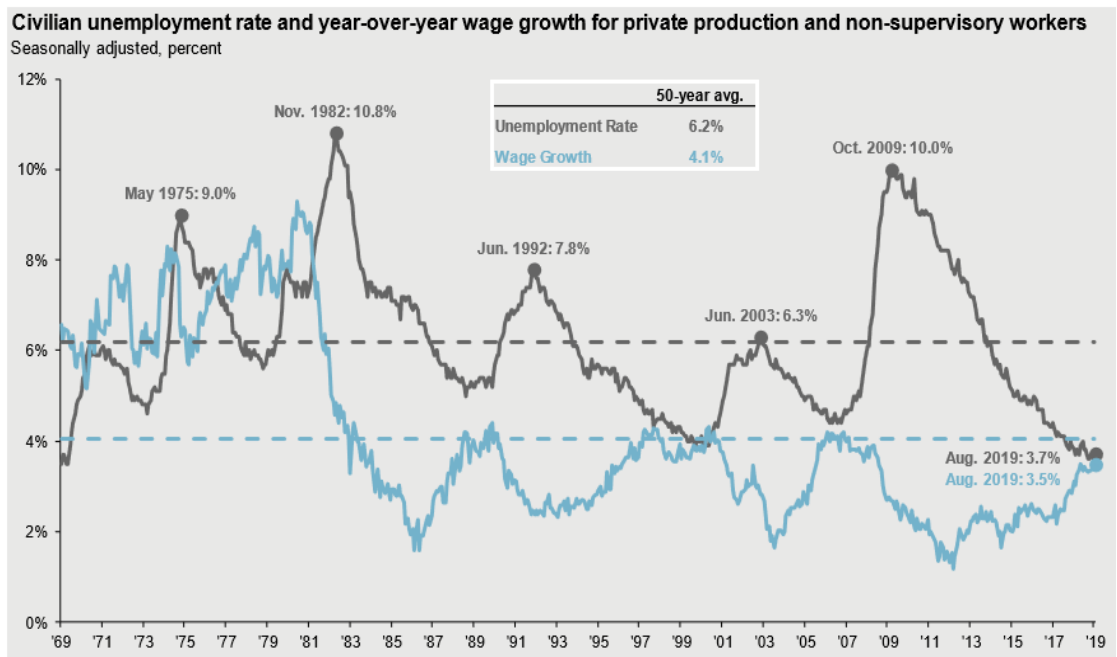


Components of GDP

2Q19 nominal GDP, USD trillions



Unemployment rates remain very good. Wages are growing and people have jobs. As long as people are working, they continue to spend. Consumer spending remains nearly 70% of GDP.



With unemployment low and wages up, people are generally quite confident. As such, Consumer Sentiment and Confidence metrics remain favorable.



The manufacturing sector dipped to 47.8 as of October 1st. **This is the one part of the economy that might be weak.** While that measure might get some attention, manufacturing accounts for about 11% of the US economy.

Other aspects of the economy are not nearly as pessimistic.

Manufacturing slump



As we move into the fourth quarter and plan for the end of the year, please let us know how we can help.

Thank you for your support and the opportunity to work for you!

Sincerely,

Dave

Dave Sather, President
CERTIFIED FINANCIAL PLANNER™

Warren

Warren Udd, Vice President
CERTIFIED FINANCIAL PLANNER™