LIBERTY CAPITAL MANAGEMENT

QUARTERLY OUTLOOK

Vol. XXVI I - Number 2 Second Quarter 2019

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THE ECONOMY

Not too Hot Not too Cold

We are three months into 2019 which means new economic data. Global growth has slowed and the Federal Reserve has suggested short-term U.S. interest rates aren't likely to rise anytime soon. With the first quarter behind us, here's what we expect for the remainder of the year:

Interest rates, Inflation, & the FED

Although the FED has raised short-term interest rates nine times since 2015, officials recently have suggested they don't plan to raise rates anytime soon. That's a stark change from their December forecast during which time they expected to raise rates in 2019 to 3.0%. The FED seems more concerned about hindering growth rather than preventing inflation. In fact, they don't consider inflation a threat in the next two years, staying below 2% in 2019 and possibly creep just above 2% in 2020 and 2021. The core inflation rate strips volatile gas and food prices. The Fed prefers to use that rate for monetary policy. Fortunately, the core rate is at the FED's 2% target inflation rate, giving them room to normalize interest rate levels. Historically, the inflation rate forecast provides a good basis for predicting the coming years' inflation levels.

Many investors have used the Fed as inspiration to get more bullish on stocks. Its turn toward dovishness, putting rate hikes on hold, have positively supported the market. The Fed's so-called "dots plot" of economic and rate forecasts show no rate hikes in 2019.

U.S. GDP Growth

According to the most recent forecast released at the Federal Open Market Committee meeting on March 21, 2019, GDP will slow from 3% in 2018 to 2.1% in 2019, and then 1.9% in 2020 and 1.8% in 2021. The projected slowdown in 2019 and beyond is a side effect of the trade war, a key component of Trump's economic policies. The momentum early in the year is not very significant, nor does it seem to suggest recession.

The year ended with fourth-quarter growth at just 2.2% with gains hovering just around 3%. However, estimates for the first quarter show an increase of just 1.5%. In the near term, the economy's slowdown may largely reflect how disruptive the trade war with China has been, with the partial government shutdown as an exacerbating factor. If history is telling, those disruptions should mostly be over and the economy should recover.

Bottom Line

The U.S. economic outlook is healthy according to some experts, although not all key economic indicators are. As stated previously, the most critical indicator is the GDP, which measures the nation's production output.

"The GDP growth rate is expected to remain between the 2% to 3%—not too hot, not too cold."

The GDP growth rate is expected to remain between the 2% to 3%—not too hot, not too cold. Unemployment is forecasted to continue at a low rate. There isn't too much inflation or deflation. That's a Goldilocks economy.

"How long the economic expansion can continue depends on sustaining a Goldilocks level of growth —hot enough to avoid a negative confidence spiral, yet cold enough for accommodative monetary policy," economist Kara Ng of Russell Investments said.

Fixed Income

And then there were none

The Federal Funds rate started at 0.00% and is now between 2.25% - 2.50%. But after 9 increases of .25%, it looks like the Federal Reserve will not raise interest rates again. As recently as year-end 2018, the fixed income markets predicted one- or two-rate increases during 2019, which have melted away like winter's snow and ice. The general consensus is to have no rate increases for all of 2019 and most of 2020. In fact, some anticipate the next move for interest rates is a cut in the Fed Funds rate.

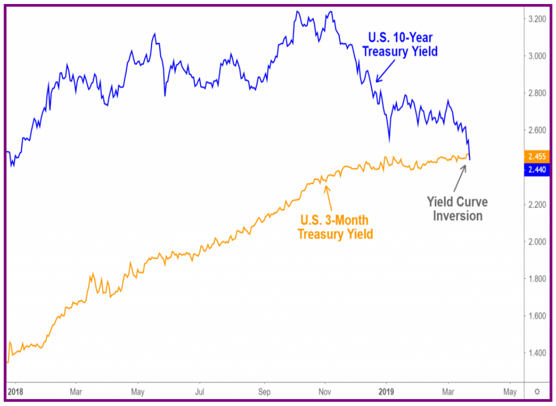
How did we get here? After significant sell off in the stock market in late 2018, the ongoing trade war with China disrupting supply within manufacturing, and the lasting effects of a government shutdown, the fixed income market has made an abrupt change in interest rate predictions. Surprisingly, low GDP figures in the first quarter and downward revisions for GDP through 2019 have given the market further concerns about increased rates.

At the recent FOMC meeting in March, the Federal Reserve members voted 10-0 to maintain rates unchanged. The Fed reiterated its view that the labor market "remains strong" but acknowledged that economic activity has "slowed from its solid rate." The Fed also downgraded its outlook on business spending, indicating recent data "pointed to slower growth." The Fed acknowledged longer-term inflation expectations have changed minimally.

Another major development at the Fed meeting was announcing the balance sheet is unwinding. The Fed will lower their cap to $15 billion per month to slow the runoff of treasuries in May. After September, they intend to hold total assets constant at about $3.7 trillion. In doing so, the Fed will only purchase bonds to replace the maturities in the portfolio. Those purchases will be treasury securities in the secondary market spread across the maturity range. The Fed's intent is to replace the maturing securities as well as match the growth rate of currency monthly.

> ***“The Fed acknowledged longer-term inflation expectations have changed minimally.”***

Well after the comments and actions from the Fed, the 10-year US Treasury note dropped down to 2.37% in late March. Simultaneously, the yield curve between 3-month treasuries and the 10-year note was inverted for a few days.



The inverted curve (during which the 3-month bill yield was higher than the 10-year note) caused a concern in the equity markets. Since then, the markets for equities and bonds have calmed and the yield curve has moved back to a slightly positive slope. The markets appear in agreement that there will be no more increases in rate for 2019; actually, the next move may even be down.

Equity Markets

One Quarter Later

The past quarter was a dream for buy-and-hold investors. With many market participants dropping out in December 2018, buy-and-hold investors stuck to a strategy that paid off in the following months. As expensive as equities were in October, they were just as attractive at the end of December. The Fed became dovish, and the market took off. Over the next couple years, the market should remain volatile, however a recession in the near term is unlikely.

For the record, the DJIA, S&P 500, and NASDAQ indices were up for the first quarter 11.15%, 13.07%, and 16.49%, respectively.

We’re currently in the longest bull market in history, putting us at a very mature period of this business cycle. Recently, the Fed lowered their forecast and plan to wait until next year to raise rates again. The inversion of the yield curve poses threat of a recession—not only to the equity markets but also to the entire economy. The inverted yield curve has historically been a predictor of recessions in the past. Although the U.S. Treasury yield curve has inverted before almost every recession over the past 50 years, only once offering a false signal, statistics prove timing the market peak does not pay off. Research backs that a buy-and-hold investment strategy is successful with market participation given any conditions. As Warren Buffett said, “The stock market is a device for transferring money from the impatient to the patient.”

While the daily tweets from Washington continue to disrupt the markets, economy, and world, a recent concern is the impact of our southern border shutdown. Without weighing in on the political ramifications of immigration, shutting the border would almost instantly cause the economy to reel. Granted, given the abrupt tweets from one day to the next, by the time you read this, the issue may be moot...or so we hope!

The news stations continuously remind us of trade wars, domestic and international political risks, regulations, and

"The past quarter was a dream for buy-and-hold investors."

just about anything else that could lead to potential headwinds for equities. Diversifying your portfolio should eliminate as much unsystematic risk as possible. Systematic risk, also known as market risk, is the risk that is un-diversifiable when participating in the market. When decisions are made, policies are put in place, and agreements had, companies and investors have the ability to better invest and execute. The uncertainty is what leads to volatility and companies underperforming. Most of the current headwinds are a few votes or signatures away from a clear picture of the future economic landscape.

Just remember that what is generally stated as common knowledge now, but wasn't a year ago, is that recessions aren't dictated by the length of time spent in an economic expansion. A significant, recessionary-sized, decline in the values of equities will more than likely be caused by forces that have not risen above today's horizon.

Our job as investment advisors is to guide, educate, and make the hard decisions during both good and bad times. The domestic and global equity markets still show many positive signs and should continue to rise over the coming quarters. Many current headwinds we see today could easily vanish. We will ensure we stick to our strategy and look for opportunities that align.

By the Way…Compliance Issues

ADV Brochure Offering

As a registered investment adviser, we are required by securities laws to annually furnish you with updated information about our firm, which we detail in our firm's Form ADV Part 2 Brochure disclosure document.

Since the firm's 2018 annual update Brochure, we have made minor updates, but no material changes were made.

If you would like a complete copy of our current 2019 Brochure, you may contact me by email or phone and I will be happy to send you a complete copy free of charge. You may also obtain a copy of the form and other information about our firm from the SEC's Investment Adviser Public Disclosure (IAPD) system at www.adviserinfo.sec.gov.

Thank You Clients From the Liberty Capital Management Team!

We are very grateful for your business because we realize we wouldn't be here without loyal customers like you. We would just like to say thank you for being a part of our family. We appreciate the many referrals you have sent our way this year. It truly is the greatest form of flattery for us.

Kenneth J. Carbaugh ~ Charles L. Dettloff ~ Robert D. Foster ~ Spencer M. Lendzion

Focus On . . .

Fiserv inc. (FISV)

Fiserv, Inc. is a provider of financial services technology. The Company provides account processing systems; electronic payments processing products and services, such as electronic bill payments, transaction processing, account-to-account transfers, and person-to-person payments; Internet and mobile banking systems, and related services, including document and payment card production and distribution, and lending and risk management products and services. The Company operates through two segments: Payments and Industry Products and the Financial Institution Services. The Payments segment services include electronic bill payment and presentment services, Internet and mobile banking software and services, and other electronic payments software and services. The Financial segment provides account processing services, item processing and source capture services, loan origination and servicing products, cash management and consulting services, and other products and services.

The Company (FISV) has attained a growth rate of 21.35% over the past 5 years and is expected to continue to grow by 12% over the next 3-5 years. It boasts a solid ROE of 44.07% despite a low debt to capital ratio. This stock provides long-term stability and quality that Liberty Capital Management looks for.

Fiserv Inc. (FISV) NqGS

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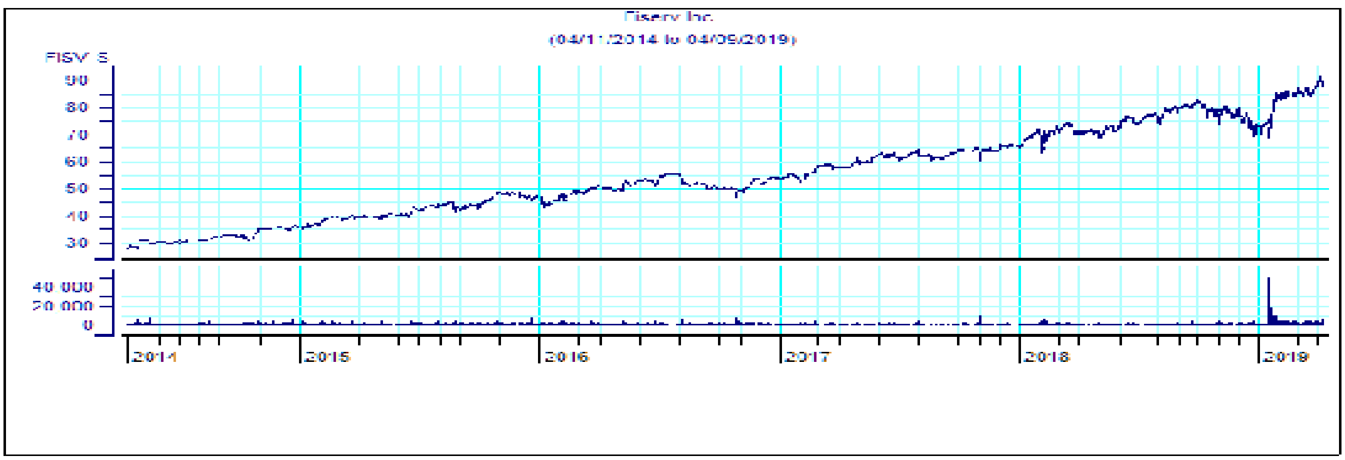
Apr 10, 2019	$86.89
Total Return - YTD	18.23%
Dividend Yld	n/a%
P/E	30.38



Capitalization

% LT Debt to Total Cap	72.20%
Owned by Institutions	88.73%
Market Capitalization ($Mil)	$34,025
Avg Daily Vol (Last 30 Days)	4,046,501

Business Overview

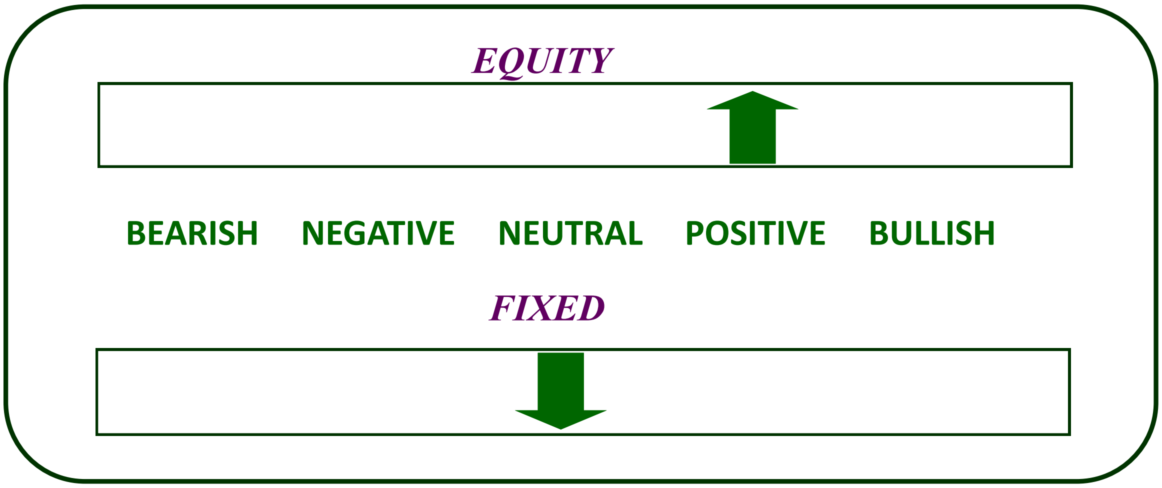
BRIEF: Fiserv, Inc. is a leading global provider of financial services technology. The company provides account processing systems; electronic payments processing products and services, such as electronic bill payment and presentment, card-based transaction processing and network services, ACH transaction processing, account-to-account transfer products and person-to-person payments; Internet and mobile banking systems; and related services including document and payment card production and distribution, check processing and imaging, source capture systems, and lending and risk management products and services. Their operations are principally located in the United States where they operate data and transaction processing centers, develop software, perform item processing and check imaging, and provide technology support. They serve approximately 16,000 clients worldwide, including banks, thrifts, credit unions, investment management firms, leasing and finance

Earnings	$		%	Growth Rates
				5 Yr Historical
Latest Quarter	$0.71	dn	-44.53%	
Latest 12 Months	$2.86	dn	-1.04%	%
Zacks Concensus				LT Future
Current Quarter	$0.82	up	7.89%	
Current Fiscal Year	$3.45	up	20.21%	12.00%
Next Fiscal Year	$3.85	up	11.59%	
Revenues				5 Yr Historical
Latest Quarter	$1,551 Mil	up	2.31%	
Latest 12 Months	$5,823 Mil	up	2.23%	3.93%
Dividends				5 Yr Historical
Indicated Rate & Yield	$n/a		n/a%	
Increases Last 5 Years				n/a%

Key Ratios & Measures	5 Year Range*	Current
P/E	-	30.38
Price to Book	4.26 - 13.26	15.68
Price to Cash flow	19.59 - 39.40	23.16
Price to Sales* (5yr Avg)	4.42	6.21
Return on Equity* (5yr Avg)	33.57	44.07%
BETA S&P 500		.87

Liberty Capital Management

MARKET BAROMETER



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- The markets appear in agreement that there will be no more increases in rate for 2019; actually, the next move may even be down.
- Many current headwinds we see today could easily vanish. We will ensure we stick to our strategy and look for opportunities that align.

~ Closing Figures as of March 31, 2019 ~

DJIA	**25928**	**10 yr. Treas.**	**2.43%**	**Funds Target**	**2.25% - 2.50%**
S&P 500	**2834**	**3 mo. T-Bill**	**2.40%**	**Prime Rate**	**5.50%**

The information and data in this report were obtained from sources considered reliable. Their accuracy or completeness is not guaranteed, and the giving of the same is not to be deemed an offer on our part with respect to the purchase or sale of any securities. Our ADV-Part II Brochure is available upon request or on our website: **www.lcmgt.com**.

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