



INDEPENDENT THINKING

THE NEW STANDARD IN WEALTH MANAGEMENT

EVERCORE
Winter 2019

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Investing for the
Next 10 Years

Responsible Investing
and Future Growth

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WAVE Equity Partners on
Clean Energy and More

Recessions:
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Stuff Happens: Managing
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A Message from the CEO



It's a new year and, from our perspective, the start of a new era. While it might seem a little odd to mark this transition in a year ending with a 9, we have two good reasons. It's been 10 years since the Great Recession and the start of the longest ever bull market in stocks. And it's the 10-year anniversary of our firm.

It's been a great 10 years on both counts, that's for sure. The highlight for us was getting to really know our clients and their families, as we met their financial goals and earned their trust. We never lost sight of the meaning and value of those relationships, as we expanded our investing, planning and fiduciary capabilities and our national presence, most recently to Palm Beach. We planned well and we invested well, and I am very proud of our team.

But that was then, as Chris Zander, our Chief Wealth & Fiduciary Advisor and President of Evercore Trust Company, N.A., observes in this issue of *Independent Thinking*. While we're not predicting a dramatic lasting change in the markets and we don't expect a recession in the near term, we are expecting more subdued market returns in most asset classes and a markedly tougher financial planning environment.

In wealth management, we always have to ask the what-if questions. What if U.S. leadership at home and abroad deteriorates? What if we don't resolve

our trade relationship with China? What if Britain crashes out of the European Union? What if our tax regime changes again, with clawbacks in recent cuts or the sunseting of current exemptions? And what if, as I discuss in my own, very personal article on managing life's transitions, the unexpected happens? Marriage, divorce, job loss, a takeover or merger, a new grandchild – events, whether happy or sad, don't always unfold to plan.

It is our job to do everything that we can to ensure that our clients are prepared for changes, in both the markets and in life. For that reason too, it's helpful to look 10 years out. For example, a longer-term perspective helps us keep the recent market volatility in perspective. We maintain relatively conservative and, we believe, realistic market assumptions, and continue to diversify our clients' portfolios and take advantage of market dislocations to protect and grow their capital.

Our 10-year anniversary represents a big milestone for all of us at Evercore Wealth Management. We are very grateful to our families for their faith and support as many of us took the leap

from big organizations to create and grow an entrepreneurial firm with an independent spirit. We are grateful to our colleagues at Evercore for helping us set the new standard in wealth management. And we are grateful above all to our clients, those who joined us at the beginning and remain – as almost all do – with us today; and those who have joined us as we have grown.

No one knows what the next 10 years will bring – in the markets, in our economy and government, and in our own lives. But we have entered 2019 – and the start of this new era – confident in our firm and hopeful about the future.

A handwritten signature in black ink that reads "Jeff". The signature is written in a cursive, flowing style.

Jeff Maurer
Chief Executive Officer

Staying on Course: Investing for the Next 10 Years

By John Apruzzese

Ten years ago, the world was emerging from a bear market triggered by the worst financial upheaval since the Great Depression.

Central banks maintained interest rates near, and sometimes even less than, 0% for several years, while purchasing trillions of dollars of debt instruments to try to rebuild confidence among investors, businesses and consumers. Then came the wildly profitable near monopolies of Google and Facebook, and the fourth decade of rapid economic expansion in China.

Today, years after the financial crisis, the U.S. economy is growing at a healthy rate while absorbing tightening monetary policies. However, most of the other developed economies appear to be faltering, as does China's. Even now, a period of renewed stability overall, we have Britain's troubled departure from the European Union and the unconventional Trump administration to contend with.

The best we can do to serve our clients is to continue adhering to our guiding investment principles: Invest for the long term, use an optimal amount of diversification – enough to improve returns and control risk, but not so much as to add unnecessary cost and complexity – and be aware of how the behavioral tendencies of investors, ourselves included, can influence decision making.

We base our investment policy on our own 10-year return and risk forecasts for major asset classes, which are shown on page 3 with actual market returns. This has been one of the best 10-year periods on record for the U.S. stock market, even though inflation-adjusted economic growth has been a meager 2% annually. The bond market returned close to the original yield to maturity built into prices at the

beginning of the period, although yields and prices fluctuated greatly. The yield on the 10-year Treasury, 2.55% 10 years ago, was 2.7% by the end of 2018, but traded between 3.8% and 1.45% during the period. Gold and oil prices both rose about 40% cumulatively, but it was a wild ride along the way.

No other major asset class came close to the returns of American stocks. The S&P 500 rose at an annualized average rate of 13.2%, while international developed market returned about half of that at 6.3%, and emerging markets did only slightly better at 8%. The average private equity fund returned 10.8% annualized, which is a comparatively disappointing return, given the limited liquidity and therefore greater risk. This offers strong evidence that investors must invest in a top-quartile fund to improve their chances of achieving an adequate return. Hedge funds have been disappointing, as well. The annualized average return was 5.2%, with equity long/short funds returning 6.1% on annualized average.

Most equity long/short funds justify their high fees by claiming they can achieve S&P 500 returns with half the risk by being about 60% net long, but in the last 10 years the average fund has not even returned 60% of the market return. (Note: We don't own any hedge funds per se, but our Diversified Market Strategies, or DMS, asset class comprises hedge fund strategies in mutual fund form and their results have been disappointing.)

The table on the right also answers several key questions: What were our expectations at the beginning, 10 years ago? How did

Hits and misses: A reckoning

Evercore Wealth Management Asset Class	Original 10-Year Projection	Our Realized Return	Current 10-Year Projection
Cash & Equivalents	2.5%	0.4%	2.8%
Defensive Assets	4.0%	3.7%	3.3%
Credit Strategies	–	4.8%	4.9%
Diversified Market Strategies	4.5%	2.8%	5.8%
Growth Assets	9.0%	12.2%	7.0%
Illiquid Assets	11.0%	11.9%	11.5%
Total Portfolio After Fees	6.8%	7.8%	6.3%

* Illiquid Assets realized returns is the money-weighted IRR of recommended funds.



13.2%

No other major asset class came close to American stocks' 10-year annualized average return

6.3%

Our expected 10-year annualized annual return for a balanced portfolio

we do? And what are our expectations for the next 10 years? As you can see, we did pretty well. Our big miss on the downside was cash equivalence; we did not anticipate that the Federal Reserve would keep short-term interest rates at 0% for eight years. Our big miss on the upside was not fully anticipating one of the great

bull markets in stocks of all time. The very low short-term interest rates also help explain why defensive assets and DMS came in below expectations; in theory and practice the returns of these asset classes build on top of, and are therefore very sensitive to, the risk-free rate of return. The sustained 0% short-term rates also encouraged risk taking, which helped boost stock returns.

Our expectations for the next 10 years are similar to past experience, except we do not expect to return to 0% interest rates and we have far more modest projections for growth assets, bringing down the expected annualized return for a balanced portfolio to 6.3%. The lower forecasted returns from stocks consider

the expectation that we will experience a recession sometime in the next 10 years and that economic growth will slow in the United States and most of the rest of the world as the growth rate of the population, and therefore the labor market, slows.

We are keenly watching many long-term trends, including an acceleration of innovation, the move to passive investing, growing economic inequality, the increasing conflict between the United States and China, and climate change.

John Apruzzese is the Chief Investment Officer at Evercore Wealth Management. He can be contacted at apruzzese@evercore.com.

Continuing the China Conversation

The cumulative total return of the S&P 500 over the last 10 years works out to 243.03%, even though real economic growth totaled only 77%. Meanwhile China's economy grew by 122%, but the Shanghai Composite Index, a benchmark for Chinese stocks, only grew by 70.5%. It is important to note that many large U.S. corporations, including Microsoft, Apple and Nike, benefited more from China's growth than most Chinese companies.

Last year Chinese companies sold \$550 billion of goods in the United States that were made in China. U.S. companies sold close to \$550 billion worth of goods and services to the Chinese, yet all but \$150 billion of these were also made in China by the American companies' subsidiaries. This harms American workers in manufacturing industries, something that President Trump has seized upon, but it works out very well for U.S. stock owners because penetrating both the Chinese labor and consumer markets greatly enhances profits and growth. This is one of the underappreciated reasons for the bitter political divide in the United States and

helps to explain why the stock market is so sensitive to the ebb and flow of trade relations with China.

Another reason that the conflict with China is front and center is that a basic assumption is falling apart. Until recently there was general agreement in the West that China's rapid development was not a serious long-term threat to the geopolitical order. Either imbalances built up in the centrally commanded pursuit of maximum growth would cause the economy to stop working eventually, according to the prevailing view, or else China would have to open up politically and progress toward liberal democracy.

Forty years on, neither development has occurred. If anything, moves toward political freedom are being reversed as new technology helps the state control the population. Meanwhile, the economy continues to grow at more than double the U.S. growth rate and the country remains on track to overtake the United States as the world's leading economy. — JA

BUYING FOR THE LONG TERM

By Charlie Ryan

Our equity philosophy has been constant over our firm's 10-year history. It remains firmly rooted in fundamental analysis and focused on portfolios with a fairly small number of positions held for the long term, with few changes. We are committed to finding companies that feature high returns on invested capital, due in large part to managements that are especially thoughtful in how they allocate their capital, and that trade at attractive valuations. The best opportunities occur when there is also a catalyst at the time of purchase that leads us to find a company's commercial and investment prospects particularly attractive.

Of our original 30 portfolio holdings, we still own six in most of our client

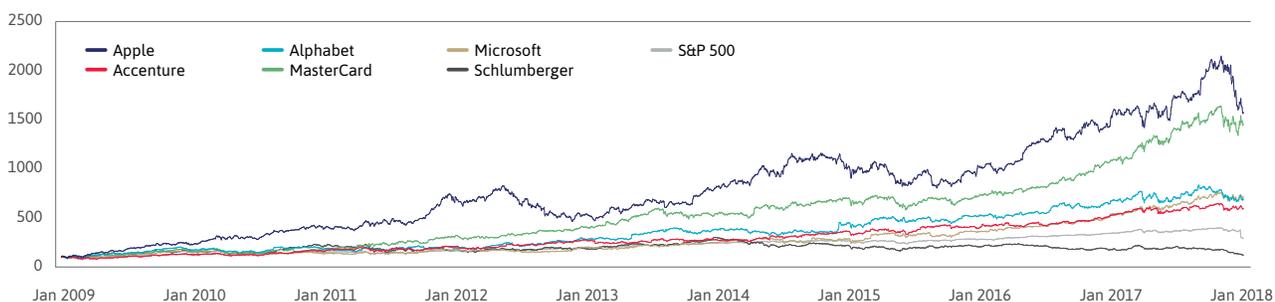
accounts. These six companies, which are listed below, have compounding profits at rates that are well above those generated by the broad stock market. While valuation matters, what contributes more to returns for very long-term investors is predicting with reasonable accuracy the trajectory of the profit growth that companies will deliver.

On average, these companies' profits have grown at a 13% compound annual rate. This has helped their stocks to produce average total returns—share price appreciation plus dividends—of 23% a year. That compares to profit growth and total returns of 8.3% and 15.1%, respectively, for the S&P 500.

While we hope to own some or even all of these companies at our 15- and 20-year portfolio reviews, we are prepared to sell them, as we have sold many of our other holdings, should their profit growth become harder to gauge or the stocks grow so expensive that the risk/reward balance becomes unfavorable. And we are always on the lookout, with our consistent guidelines, for the next great opportunity that will power our portfolios in the future.

Charles Ryan is a Partner and Portfolio Manager at Evercore Wealth Management. He is also the co-manager of the Evercore Equity Fund. He can be contacted at ryan@evercore.com.

The Originals: Total Returns for Our Longest Holdings



Source: FactSet

Accenture, a consulting firm that specializes in technology and media industries, has grown its earnings before interest and taxes, or EBIT, at a 10% compound annual rate over the last 10 years and it has increased its dividend by 18% a year. Its strong growth has helped to push the stock up more than 20% a year.

Apple's EBIT growth has been compounding at 25% a year since 2009. The company started paying a dividend in 2012 that has grown by 21% annually.

Alphabet, the parent company of Google, has seen its EBIT grow fivefold over the 10-year period, or 19% a year.

MasterCard, one of the two giant payment card companies, has experienced profit growth of 15% a year for the past 10 years as consumers spend more on cards, with earnings per share growing at an 18% annual rate.

Microsoft has demonstrated more modest profit growth over this period, at 7% a year, but its free cash flow per share – a measure of how much operating profit is left after accounting for long-term business investment – has doubled, and the dividend has tripled.

Schlumberger, an energy-services company, is the worst-performing tenured holding in the portfolio. It has struggled to consistently grow its EBIT, as capital spending by its customers, on which Schlumberger's performance depends, has been inconsistent. This has left its share price essentially flat over the last decade. While its returns have lagged those of the broad market, the stock has still generated single-digit growth since inception.

Responsible Investing and Future Growth

By Stephanie Hackett

Many investors strive to make mindful decisions about how their portfolios are invested. These decisions can include the degree of risk, the investment time horizon and the appropriate asset class mix. Increasingly, investors also want to profitably express their values in their investment mandates.

Socially responsible investing has been around for decades, becoming popular in the 1970s among investors determined to exclude certain stocks or broader sectors from their portfolio, such as tobacco producers or companies involved in South African apartheid. Over time it expanded to include environmental, social and governance, or ESG, factors. Today, many investors focus simply on responsible investing, or the integration of ESG factors into all investment processes and decision making.

Investors may want to own companies that can attract talent, foster innovation and proactively manage their supply chains, but are also responding to climate change and have effective health and safety policies to protect against accidents as well as a corporate culture that builds trust.

This developing interest has encouraged companies to increase their own focus

on ESG factors, creating something of a virtuous circle. Companies that are able to attract responsible investors, as well as like-minded consumers, become more profitable and are able to spend more R&D on energy efficiency, and so on.

Companies able to attract responsible investors become more profitable.

Beyond the supply/demand equation, embedding responsible investing into capital markets makes good business sense, and can lead to more sustainable markets and better outcomes for societies. Back in the industrial era, pollution was unregulated, labor was just a cost factor, and a combination of scale and scope was the dominant strategy. Corporations today must

adapt to an environment that favors smarter, cheaper and healthier products and services.

For example, A.O. Smith, a company that is held in many core equity portfolios at Evercore Wealth Management, was founded 144 years ago in Milwaukee to manufacture specialty hardware and, later, steel core frames and glass-lined water heaters. As A.O. Smith expanded its business globally, it improved its manufacturing practices to reduce or minimize environmental impact, introduced a high-efficiency water heater and, more recently, is focusing on water treatment technology to meet the growing need for fresh, clean water around the world.

Over 150 companies globally have made a commitment to “100% renewable” electricity,¹ including several companies that we currently hold in core equity portfolios: Adobe,

Responsible Investing: Integrating ESG Factors

- **Environmental** criteria relate to company actions on energy use, waste, pollution, natural resource conservation and animal treatment. This approach also evaluates which environmental risks might affect a company's income and how the company is managing those risks. For example, a company might face environmental risks relating to its ownership of contaminated land, its disposal of hazardous waste, its management of toxic emissions or its compliance with the government's environmental regulations. Investors focused on environmental factors may prefer companies with mandates for low-carbon footprint, clean technology solutions or fossil fuel divestment.
- **Social** criteria reference the company's relationships, both internally and with other businesses. Do the company's working conditions show a high regard for its employees' health and safety? Does it work with suppliers that hold the same values that the company claims to hold? Does the company donate a percentage of its profits to the community or perform

volunteer work? Are stakeholders' interests taken into consideration? Investors focused on social factors may rank a company based on their policies with regard to women or minority inclusion, pro-LGBTQ policies and practices, or exclude companies with significant revenues from alcohol, gambling, tobacco, firearms, predatory lending or adult entertainment.

- **Governance** relates to the management of the company, and its system of rules, practices and processes. For example, how does the company balance the interests of its many stakeholders, such as shareholders, management, customers, suppliers, financiers, government and the community? Investors want to know that a company uses accurate and transparent accounting methods, and they want to see that common stockholders are allowed to vote on important issues. Does the company have appropriate action plans and internal controls in place? Have they avoided conflicts of interest in their choice of board members?

Apple, Google, Microsoft, and Nike. While this public commitment builds strong brand awareness with consumers and environmental advocates, it also allows for greater control over energy costs, increased competitiveness, and the ability to proactively meet emission regulatory goals. All of these can have positive effects on both the top line (increased revenues) and the corporate bottom line (lower costs).

Companies are also recognizing that responsible investing and strong governance practices are vital to creating and preserving value for all shareholders, as well as helping with employee retention, brand reputation, and competitive positioning. New

challenges, such as environmental risk, privacy and data security, demographic shifts and regulatory pressures, are also driving change.

Within our investment portfolios, we are able to source solutions for clients who want to include responsible investing factors in their investment mandates, including equity and municipal bond portfolios that can screen based on ESG factors, firms with minority or women founders, and illiquid investment opportunities such as WAVE Equity, which invests in companies positioned to take advantage of recent significant improvements in industrial processes around clean energy, food, waste and water.

Responsible investing is not a trend but rather a way for investors and companies to position themselves for future growth. Cost efficiencies, more innovative and competitive products, risk management and the ability to attract better human capital can all accrue to the bottom line.

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¹ RE100 is a collaborative global initiative by The Climate Group in partnership with CDP. <http://there100.org/re100>.

Q&A

with WAVE Equity Partners



Mark Robinson

Editor's note: Evercore Wealth Management supplements its core investment capabilities with carefully selected outside funds across the range of the firm's asset classes. Here we interview **Mark Robinson**, Partner and Managing Director of WAVE Equity Partners. Wave is a Boston-based private equity firm that invests in early stage and rapidly growing companies in the clean energy, food, waste, and water sectors.

Q: Your target sectors – clean energy, food, waste, and water – are of growing interest to corporations, as well as investors. Why do you think this is, and what is your outlook for these industries?

A: These sectors are characterized by massive scale and global opportunity for corporations, as well as rising consumer demand for sustainability. Satisfying basic – and growing – human demand for energy, food, water, and transportation without wrecking the environment or fiscal budgets requires a complete revamp of these industries. We need to produce superior, smarter, sustainable, recyclable products that consume fewer natural resources.

Corporations have made enormous gains in human capital productivity through the adoption of information and telecommunications technologies. However, tech productivity cycles are flattening out. Companies are now refocusing their attention on the productivity of their physical assets around the world, seeking efficiency gains through innovative materials, manufacturing processes, and closed-loop consumption.

Simply stated, superior solutions in these sectors have the potential to become immediate multibillion-dollar markets in every major geography.

Q: Please describe your investment focus. How do you identify companies in which to invest, and how long do you expect to remain invested?

A: We believe the best risk-adjusted returns in these sectors are found at the early growth equity phase for industrial-enabled technology companies with superior, patent-protected solutions that are already generating commercial revenue. This investment space is severely underserved as neither venture capital funds, which prefer software technologies, nor private equity firms, which look for later-stage businesses, are investing in these young but highly promising companies. There is a real funding gap for young, fast-growing hardtech companies – the ones producing physical goods – in the sectors of clean energy, food, waste, and water.

Finding the right company (ascertaining that the business is unique, profitable, and is scalable) takes discipline and requires plenty of legwork, as most of our companies are not located in the traditional innovation hubs of Silicon Valley, Boston or New York. To date, half the companies that we have invested in come from our professional networks; we discover 25% at conferences and other events; and 25% have found us, as our brand and reputation are becoming better known.

When we do come across an opportunity, we want that company's customers to tell us what we need to know: What is the higher value proposition they perceive; where on their income statement and/or balance sheet does it save them money; and, importantly, do they intend to buy a lot more? Once we see the demand pull, then we assess the sustained competitive advantage well past our three- to five-year holding period: Is the intellectual property robust and well protected; can it be leapfrogged or circumvented; and does the technology offer a platform to multiple geographic and/or product markets? Finally, can the company scale to meet the opportunity?

Q: How about government support – or lack of support – for specific sectors or industries? How do subsidies weigh in your decision making?

A: We do not invest in businesses that depend on government support or subsidies. While there is rising support for clean energy, especially in Europe and Asia, we are concerned about unintended negative consequences from government policies. Easy flow of capital can induce sloppy behavior, and political uncertainties can lead to timing risks.

Q: Will that change if and when you assume more international exposure?

A: While all of our portfolio companies are U.S. based, two have international operations, and the others are likely to soon expand internationally. Their international opportunities do not rely on direct government support or subsidies, but they do benefit from government policies that have catalyzed specific industries, such as the electric vehicle sector in China.

Q: What is your goal for the fund? How big do you see it becoming?

A: We are barely scratching the surface with the current fund, which is targeted to be \$150 million, roughly double our prior fund. The current fund will invest in six companies over its three-year investment period.

We see many more attractive deals. In addition, there could also be interesting plays in project capital and international finance. But we are taking one small step at a time as we learn and evolve. To construct a portfolio of 15-20 companies would require a fund three times larger than our current fund.

Q: To date, there hasn't been much private equity investment in this sector, at least compared with venture capital. Why do you think that is?

A: While there is early stage venture capital willing to take technology, product, and market development risk, we prefer managing just the execution risk at the early growth stage. The nearly \$1 trillion of later-stage growth and acquisition private equity is focused on larger companies that can take \$50 million or hundreds of millions of dollars, while the companies we target only need \$25 million or often far less at the time of our initial investment. That is just too small for larger private equity investors.

The second reason is strategy. Most private equity firms make money through restructuring (financial, process or management), not by empowering next-generation technological breakthroughs. Understanding innovation requires different training and approach. More firms will be attracted when industrial tech companies have achieved exciting public exits.

Q: How will you compete as this investment sector becomes increasingly crowded?

A: We have had little to no competition to date in investing in companies that meet our criteria. Of the eight investments we have made, the shortest due diligence period has been six months, and in only one case did a company receive a competing term sheet. This remains an inefficient market, which is unfortunate for the entrepreneurs in this space, who deserve better access to capital.

Q: Please briefly describe your structure and team.

A: WAVE Equity Partners LLC is the management company to WAVE Equity and is raising WAVE Equity Fund II following the same strategy as our first fund, WEF I. Before founding WAVE, four of the six partners had invested together in 30 technology companies, exiting 27. In addition, the team had collectively led over 100 equity rounds and more than 20 project financings.

Another notable aspect of the team is that all of us have worked in energy and industrial sectors prior to our investment careers. We have designed products, operated manufacturing facilities, mined minerals and oil, and developed large-scale facilities – taking up roles across diverse product cycles and industries. This knowledge of industrial and energy markets is critical to our success. When we see a new product, we have the ability to place it in the right context, and to assess the risk and scale of its customer adoption.

For further information about WAVE and other funds on the Evercore Wealth Management investment platform, please contact **Stephanie Hackett** at stephanie.hackett@evercore.com.

Recessions: Predicting and Preparing

By Brian Pollak

Many private-sector economists consider any period in which real GDP growth is negative for two consecutive quarters to be a recession. That sounds easier to pinpoint than it is.

The official arbiter of such matters is the National Bureau of Economic Research, or NBER, a private, nonprofit, nonpartisan organization, which seldom declares a recession to have begun or ended until well after the fact.

For instance, the NBER stated in December 2008 that the last recession

(what has come to be known as the Great Recession, which accompanied the global financial crisis) had actually begun a full year earlier, in December 2007. If it's so difficult for the leading authority on the timing of recessions to gauge when one has started and ended, even well after the fact, is it possible to predict when one will occur?

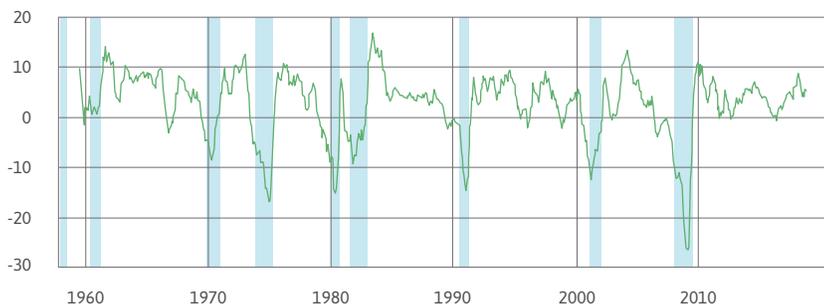
While far from perfect, three economic and market signals have been the most accurate in predicting recessions: Leading Economic Indicators, or LEI, an inverted yield curve, and a bear market in stocks.

Leading Economic Indicators: LEI is a Conference Board index of 10 economic variables that tend to move before changes in the overall economy (two of these indicators happen to be the yield curve and the stock market). A decline in the index over six months has preceded every recession since the index's inception in 1960. But its efficacy seems to be faulty, as demonstrated by a number of false positives, notably in 2011 and 2016. If we use the 12-month change in the index instead, it has fewer false positives, but the signal often comes too late, twice predicting recessions concurrent with the start of the downturn and almost always well after the stock market peak. Still, the LEI 12-month and six-month changes have turned negative six months and nine months, respectively, before a recession on average.

The Yield Curve: According to research by the Federal Reserve Bank of San Francisco, "a negative term spread, that is, an inverted yield curve, reliably predicts low future output growth and indicates

Leading Economic Indicators Index

(Change Over 6-Month)



Note: Gray bars indicate NBER recession dates
Source: The Conference Board

a high probability of a recession.” Plenty of headlines have recently cited the inversion of two-year and five-year Treasury yields, as well as the yield curve inversion’s historical success in predicting recessions. Should we be worried?

While the yield curve has been the most accurate predictor of recessions, with an inversion of the curve before every recession in the last 60 years, neither the market nor academics focus on the differential between two- and five-year Treasuries. The Fed’s work looked at the difference between one-year and 10-year Treasury instruments, on the assumption that the term spread between those two securities provides the truest representation of the market’s forecast for the economy. The LEI uses the difference between the 10-year Treasury and the federal funds rate, the interest rate set by the Federal Reserve, on which banks can lend their reserves (or excess balances) to other banks on an overnight basis, as one of its components. Markets seem to focus most on the yield spread between two- and 10-year Treasuries.

In any case, when short-end Treasuries have a higher yield than longer-dated Treasuries, there is a high probability that a recession is coming. There have only

been two false positives in the last 60 years: in 1965, which did see a significant decline in the pace of economic growth shortly afterward, although it took until 1969 for a recession to appear, and in September 1998, which saw the curve steepen before inverting again in March 2000, which was still 12 months before a recession began.

In the last recession, if investors had sold equities after the curve first inverted on December 27, 2005, they would have waited nearly 22 months until the market peaked on October 10, 2007, missing out on 28.5% appreciation, and a full two years before the start of the recession. On average, over the last seven recessions, acting at the moment of the first yield curve inversion, including the two false positives, would have meant selling 23 months before a recession and 16 months before a market peak. Even avoiding the false positives would have meant selling 17 months and 10 months ahead of the recessions and market peaks respectively. Is a signal worthwhile if it tells us so little about timing?

The Stock Market: Paul Samuelson, a Nobel Prize-winning economist, famously quipped in a column for *Newsweek* in 1966 that “Wall Street indexes predicted nine out of

30%

average peak-to-trough decline of the S&P 500 during the last 11 recessions

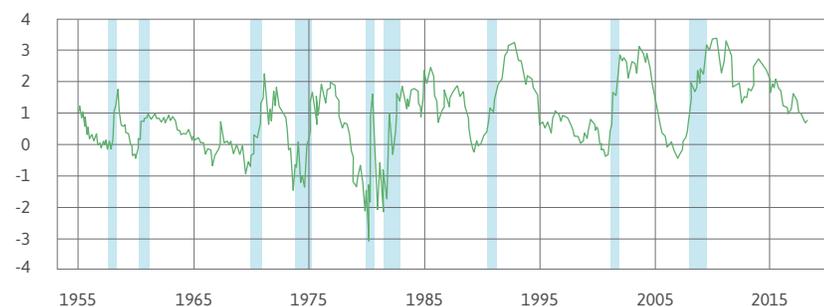
the last five recessions.” Fifty years on, this sentiment appropriately summarizes the stock market’s predictive power. Corrections (when the stock market is down 10%) and even bear markets (down 20%) have not accurately predicted the approach of recessions, although bear markets have fewer false positives than corrections.

The additional problem, of course, is that if the stock market is already down 20%, it may be too late to sell. The average peak-to-trough decline of the S&P 500 during the last 11 recessions was 30%, so once in bear market territory, the market could be two-thirds of the way to the bottom. Stock market peaks do usually come before a recession, but the time lag varies wildly; the market peaked just three months before the start of the recession in 2007 and a full year before the 2001 recession. Of course, the market only knows that a peak has occurred once we are in bear market territory, so a peak can only be understood after the fact.

The financial crisis was the longest (at 18 months) and deepest (GDP declined 4%, peak to trough) postwar recession, and it saw the steepest peak-to-trough stock market decline, 57%. However, large market declines are not only a function of the depth of the economic malaise. The recession of 2001, following the tech boom and bust, was among the shallowest recessions on record, lasting eight months and resulting in an economic decline of just 0.4%, peak to trough. But the stock market decline was

Term Spread and Recessions

One-Year and 10-Year Treasury Yield Curve, Percent



Note: Gray bars indicate NBER recession dates
Source: Federal Reserve Bank of San Francisco

Monthly Lead Time in Recession Indicators up to Business Cycle Peak

Business Cycle Peak	12-Month Change in LEI	6-Month Change in LEI	1-10 Yield Curve Inversion	Stock Market Peak	Stock Market Peak to Trough
12/31/1969	2	5	25	13	-36%
11/30/1973	0	4	9	11	-48%
1/31/1980	9	11	18	0	-17%
7/31/1981	0	5	11	8	-27%
7/31/1990	9	14	18	1	-20%
3/31/2001	4	8	13	12	-49%
12/31/2007	16	19	24	3	-57%
Average	5.7	9.4	16.9	6.9	-36%

Source: Bloomberg data, NBER, the Conference Board and Evercore Wealth Management research

significant, with the S&P 500 down 49%, largely due to the unprecedentedly high valuations that equities had reached. The recession of the early 1990s was also eight months, but stocks fell only 20%. Some recessions are not even accompanied by bear markets. The recessions of 1953, 1960 and 1980 saw market declines of less than 20%.

Portfolio rebalancing and risk diversification are the most prudent defenses.

All three of the indicators we have discussed are flawed as independent signals, but even taken together, the strongest two, LEI and the yield curve, are problematic. When the yield curve inverts and the LEI reading simultaneously becomes negative, it is a good, albeit not certain, sign that a recession is probably coming in roughly the next nine months. But it still is not a great timing tool for selling stocks. In some cases, this dual signal has occurred after a significant stock drop,

and in others the bull market still has had plenty of room to run. Furthermore, it provides no information on when to buy stocks back, or how deep the sell-off will be. With stock market timing, investors have to be right twice – when selling and when buying back – making the timing of portfolio changes based on these indicators very difficult.

So what protection does an investor have against significant market drops? Portfolio rebalancing and risk diversification are the most prudent defenses. As the equity market rises, active rebalancing, or bringing the equity allocation back down to a neutral proportion of a portfolio, and increasing exposure to more defensive and uncorrelated investments are wise. Diversification is an important tool in general, as long as it's the underlying risk in a portfolio that is the object of the diversification, not just adjusting the number of stocks.

High-quality, interest-rate-sensitive bonds have been out of favor, but they have performed well in recessionary environments. With the Fed increasing short-term rates, there is more yield

in bonds today than there has been in a decade, and more room for price appreciation if interest rates start to drop during an economic downturn. Bonds will serve as portfolio ballast during a recession.

Adding return streams that are truly uncorrelated to movements in stocks and bonds is also important. Investments such as insurance-linked securities, which gain exposure to catastrophe risks, certain types of secured lending, and health care royalties are examples of investments that are risky, have expected returns close to those of equity markets, and feature prices of the underlying investments that are less likely to be harmed by an economic downturn.

Close to 10 years into a bull market and economic expansion, there is plenty of reason for caution, and we closely watch for signs of the next downturn, focusing on LEI and the yield curve as potential signals, while recognizing their flaws. While the stock market remains skittish, the difference between the yields of one-year and 10-year Treasuries remains slightly positively sloped, and the LEI six-month change is solidly positive, giving us some comfort that we are still at least 12 to 24 months from the next recession. Staying fully invested, but vigilantly and actively rebalancing while ensuring portfolios have a fully diversified set of risks, is the best prescription.

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Jake Stoiber, an Investment Associate at Evercore Wealth Management, contributed to this article.

Choosing an Advisor: A Legal Perspective

By Ruth Calaman

Introductions to wealth management firms are typically made by family members, friends, and through other referrals. You may meet with these individuals and their colleagues on multiple occasions, hear about their capabilities, read their sales and marketing information, and enjoy very pleasant conversations in the process. But have you asked the right questions?



Here are 10 questions a legal or compliance professional would consider when conducting due diligence of an investment advisory firm and its professionals.

WHAT IS THE FIRM'S OWNERSHIP STRUCTURE?

This is an important topic, one that can speak to the stability, resources, efficiency and personal service of the firm. Start by asking the advisor, but keep in mind that the bigger the institution, the less an individual advisor may know about the structure, his or her colleagues and their clients. So check out the firm's ADV, a filing required of investment advisors by the U.S. Securities and Exchange Commission and state securities authorities. Form ADV consists of three components, the first of which details information about the investment advisor's business, ownership structure, employees dedicated to providing investment services, business activities, affiliations with other companies, participation or interest in client transactions, whether the investment advisor maintains custody of assets and any disciplinary events of the advisor or its employees.

Evercore Wealth Management is 63% owned by Evercore, the global investment banking advisory firm (NYSE: EVR), and 37% by the firm's partners. Evercore Trust Company, N.A. is a wholly owned subsidiary of Evercore.

WHAT IS THE FIRM'S FEE STRUCTURE? AND HOW OFTEN ARE ACCOUNTS REVIEWED?

Form ADV Part 2A – also known as the firm's "brochure," contains similar but more descriptive information to the Form ADV Part 1. This document includes information about the investment advisor's activities, such as how the advisory services are conducted, how often accounts are reviewed, the advisor's fee schedule, details of any disciplinary information, conflicts of

interest, affiliations with other companies, a summary of the advisor's code of ethics, how the advisor votes proxies and its trading practices. This brochure is the primary disclosure document that investment advisors provide to their clients.

Evercore Wealth Management's ADV parts 1 and 2 can be viewed here: <https://adviserinfo.sec.gov/Firm/148399>.

HOW MANY CLIENTS DOES THE FIRM SERVE WHO ARE IN SIMILAR SITUATIONS TO YOUR OWN?

The ADV provides information on the firm's clients by number and type, but you will have to ask advisors – and ask around – for more detailed information to ascertain the fit. Consider asking for suitable referrals, as well. Many firms focus on particular geographies or sources of wealth. Evercore Wealth Management serves approximately 600 client relationships across the United States, with a wide range of backgrounds, risk parameters and asset levels.

DOES THE FIRM OR ANY OF ITS PROFESSIONALS HAVE CONFLICTS OF INTEREST THAT YOU SHOULD BE AWARE OF?

Every investment advisor registered with the SEC is required to adopt a code of ethics that sets forth standards of conduct expected by employees of the firm and addresses conflicts that arise from personal trading by investment advisor professionals. Among other things, an investment advisor's code of ethics requires investment advisor employees to report their personal securities transactions, outside business activities, gifts and entertainment and political activities. In addition, it sets forth standards for maintaining confidentiality of non-public personal information. The code also typically describes how the firm promotes compliance with fiduciary standards by the investment advisor and its professionals.

Although a firm's code of ethics is not available publicly, it should always be available upon request. If you would like to obtain a copy of Evercore Wealth Management's code of ethics, please contact your Wealth and Fiduciary Advisor.

WHO WILL YOU WORK WITH ON A DAILY BASIS, AND WHAT IS THEIR EDUCATIONAL AND PROFESSIONAL BACKGROUND?

Wealth management is a relationship business, and you should feel that you enjoy communicating with your advisors and that you have confidence in their judgment. So meet them in person, trust your instincts – and then verify. Start with a review of the firm's website. In particular, you may want to review the bios of the professionals you will be working with and compare it to the information contained in the Form ADV Part 2B brochure supplement. Does the information match? Are you comfortable with the person's background? Does the individual have any professional designations or securities licenses of interest?

In addition, you may consider conducting an internet search to review for any newsworthy articles about the firm or its employees that will give additional insights into their activities and interests, such as awards and accomplishments, charitable involvement and board memberships.

HAS THE FIRM OR ANY OF ITS PROFESSIONALS BEEN INVOLVED IN ANY LEGAL OR REGULATORY PROCEEDINGS THAT MAY BE RELEVANT TO YOUR DECISION?

In addition to examining the firm's ADV, you can also research specific professionals on <https://brokercheck.finra.org> to see if they ever held a securities license. If so, you can review their employment history, regulatory actions, investment related licensing information, arbitration and

any complaints as well as any personal disclosures all in one place.

IS THE FIRM FINANCIALLY SOUND?

If the firm is a public company or associated with a public company, you can likely access its annual regulatory filing, or 10-K, by searching its website under investor relations. The 10-K is a comprehensive report of a public company's performance that is submitted annually to the SEC. It provides an overview of the company's business and main operations, discusses risk factors associated with that business, and provides financial data and other disclosures. You may want to direct your attention to the "Legal Proceedings" discussion of the 10-K to read about any material legal matters facing the firm. In addition to the 10-K, you may also wish to review the firm's proxy statement, which contains detailed information about a firm's executives and board of directors, including compensation, and the makeup of the firm's stock ownership.

Evercore's annual report can be viewed on www.evercore.com or <http://investors.evercore.com/phoenix.zhtml?c=66653&p=irol-sec>.

If the firm is associated with a federally chartered trust company or bank, you can review the bank's income statement, balance sheet, capital structure and other financial information on the Federal Financial Institutions Examination Council's website, www.ffiiec.gov. Banks and trust companies are required to file a quarterly "call report" of their financial condition. In these reports you can check on your bank's capital strength under schedule RC-R. For a bank chartered by the Office of the Comptroller of the Currency, a well-capitalized bank should have a Tier 1 Capital Ratio of 8% or more. You can also review schedule RC-T to understand the breakdown of trust and fiduciary accounts your trust company manages.

Evercore Trust Company's Call Report can be found by Choosing "Call" under "Report" and entering "Evercore" under "Institution Name" here: <https://cdr.ffiiec.gov/public/ManageFacsimiles.aspx>.

DOES THE FIRM MAINTAIN CUSTODY OF YOUR ASSETS?

It's important to understand how a firm holds client assets and whether they are custodied in-house, with an affiliate, or outsourced to a third party. Furthermore, understanding whether an affiliate custodian is a bank or broker-dealer could be significant in the rare case that a financial firm may close or go out of business, or should it become necessary to rely on an institution's insurer.

Client assets custodied at Evercore Trust Company are fully segregated from Evercore Trust Company's entity assets and liabilities. Ownership of client assets held at Evercore Trust Company remain vested in the individuals or entities for whose benefit Evercore Trust Company is acting as trustee, agent or custodian.

HOW WILL YOUR INFORMATION BE USED AND CAN YOU CONTROL ITS USE?

To understand how a firm uses your non-public personal information, you will want to review their privacy policy, which is typically found in the firm's privacy notice or disclosure. Usually this notice is found on the website, along with other required disclosures. This document will provide insight into what information is gathered and retained, how it is stored, how it is used and whether it is shared. It will also give you information on what you can do to limit the sharing of your information, if possible.

Evercore Wealth Management and Evercore Trust Company are committed to safeguarding the privacy of information we receive and maintain about our

clients. We do not and will not sell personal information about our clients to anyone for any reason, at any time. Our privacy policies can be found here: <https://s3.amazonaws.com/evercore-clouddeploy/ewm-prod/wp-content/uploads/2018/09/12105039/EXHIBIT-A-Privacy-Policy-Notice.pdf>.

DOES THE FIRM HAVE AN ADEQUATE BUSINESS CONTINUITY PLAN TO SAFEGUARD YOUR ACCOUNT IN THE EVENT THAT THERE IS AN UNEXPECTED DISRUPTION TO REGULAR BUSINESS?

Financial firms are required to have a business continuity plan in place that sets forth what they will do and how they will respond to events that may significantly disrupt their business. Although many firms, especially those associated with a broker-dealer, maintain a summary disclosure of this information on their websites, you may receive a copy of the actual plan document upon request. At a minimum, you should read any publicly available disclosure carefully to ensure you understand what will happen in the event of a disruption and to gain comfort that your assets are in safe hands.

At Evercore Wealth Management and Evercore Trust Company, N.A., all of this information is available to you either at our website or upon request.

Ruth Calaman is the General Counsel and Chief Compliance Officer at Evercore Wealth Management and Evercore Trust Company, N.A. She can be contacted at ruth.calaman@evercore.com.

Planning in a Changing Wealth Landscape

By Chris Zander

Securing and transferring even the most complicated assets has been relatively straightforward – and exceptionally rewarding – over the past 10 years. That was then. The landscape now looks very different, with lower return expectations, rising interest rates, and a changed tax regime among its most striking features.

Staying on track to meet retirement and other long-term wealth planning goals means revisiting wealth plans and adjusting course as needed. Here are some current highlights to consider; each merits in-depth and personal discussions between families and their advisors. The combination of these and other factors should drive the advice, and the best solutions will be based on individual circumstances and long-term goals.

LOWER RETURN EXPECTATIONS

For many Americans, the market's gains over the past 10 years obscured insufficient savings, even as guaranteed corporate pensions were relegated into the history books and real estate values in many areas declined. At the same time, gifted assets have considerably outperformed expectations across most asset classes.

As John Apruzzese writes in this issue, we expect a 10-year average annualized return of 6.3% for balanced portfolios, down from a realized annualized return of 7.8% since our firm's inception 10 years ago.¹ That's still a reasonable return rate, but it's going to come as something of a shock to those who don't adjust their plans accordingly. It's important to be mindful of these lower expected returns, which not only amplify the need to be more tactical in wealth



transfer planning, but also to understand what it's going to take to meet retirement lifestyle goals. Planned transfers to family or to charity may need to be revisited.

RISING INTEREST RATES

After 10 years at near zero, interest rates are rising. While we do not expect rates to rise significantly in the near term, families who wish to transfer assets (without using their current gift tax exclusion) may wish to consider locking in current rates through several types of wealth transfer planning techniques commonly referred to as estate freeze strategies. Grantor retained annuity trusts, or GRATs, installment sales to intentionally defective grantor trusts, charitable lead annuity trusts, intra-family loans, and other freeze strategies that tend to perform well in periods of low rates and high (or even modest) investment returns, can still be attractive options in transferring wealth, especially if they contain rapidly appreciating assets. However, their hurdle rate – the rate of return required by the IRS – rises along with interest rates and presents an additional headwind.

In addition to selecting assets for transfer with high appreciation potential, such as a private company expected to be taken public or to be sold, families should revisit utilizing assets that have inherent valuation discounts to future fair market value. These valuation discounts may be augmented in cases where a family entity (such as a family limited partnership or LLC) owns one or a series of these assets for business management purposes. Transferring a non-voting interest in one of these entities may result in additional future wealth transfer value to heirs, due to the potential lack of marketability and minority interest discounts.

BIG TAX CHANGES – AND AN UNCERTAIN LEGISLATIVE FUTURE

Income taxes, already low by historical standards, are now lower still for many high net worth families. The Tax Cuts and

Jobs Act of 2017 lowered many personal and corporate income taxes and provided enhanced deductions for pass-through income. However, the gains are at least partly offset by the elimination of many itemized deductions, notably the state and local tax, or SALT, deductions.

In this political climate, it is impossible to know what the next year will bring, let alone the next 10 years. In any case, planning should be based on each family's specific circumstances, goals, and tolerance for risk.

If income tax rates do move up, the value of tax deferral, as well as that of charitable deductions, increases proportionately. In lieu of an outright sale of a highly appreciated, low-cost stock position, families may consider certain hedging techniques (such as equity collars and prepaid variable forward), tax-efficient transition investing strategies, and charitable alternatives such as outright gifts and charitable remainder unitrusts to diversify the position and hedge risk in a tax-efficient manner.

Tax reform also introduced a considerable degree of uncertainty into longer-term wealth planning, as it effectively doubled the federal gift, estate tax and generation-skipping tax, or GST, exclusion amounts to \$11.18 million per person (recently changed to \$11.4 million for 2019). Without legislative action, the law will sunset after December 31, 2025 (although it's worth noting that newly proposed and temporary regulations have diminished risk of a clawback).

Families with large estates would normally try to maximize gifting up to the federal gift tax exclusions in effect at the time. The increased exclusion, coupled with lower expected investment returns projected, leaves the onus on families and their advisors to holistically determine how much they can reasonably afford to transfer from a retirement perspective. As

discussed in past editions of *Independent Thinking*, spousal limited access trusts, or SLATs, can be an effective tool to manage transfers now while providing emergency access for grantors who err in their projections for retirement.

As families determine appropriate transfer amounts, another key interplay between estate tax efficiency and income tax planning should be considered. To the extent that a grantor transfers assets that appreciate over time, the recipient (either an individual beneficiary or a trust) will likely bear the income tax on those future gains. This made sense in the past as the estate and gift tax rates were higher than income tax rates and grantor trusts offered flexibility with substituting assets to mitigate the potential tax on heirs.

Now, however, an estate in the neighborhood of \$22 million left by a married couple at death would receive a step-up in income tax basis. Transferring appreciated or soon-to-be appreciated assets that would never be taxed from a federal estate tax perspective (under the higher federal estate tax exclusion) would mean forfeiting the step-up and incurring a potential future income tax for the family that could have been avoided. The impact of different state estate and gift tax regimes is an additional variable to consider depending on one's domicile. And, of course, the estate tax legislation could be changed again.

Again, every situation is different and it's important to work with your trusted advisor to evaluate the range of options and scenarios and put a flexible plan in place.

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¹ EWM Balanced Composite 10-year return from 2.1.2009.

Stuff Happens: Managing Life's Major Transitions

By Jeff Maurer

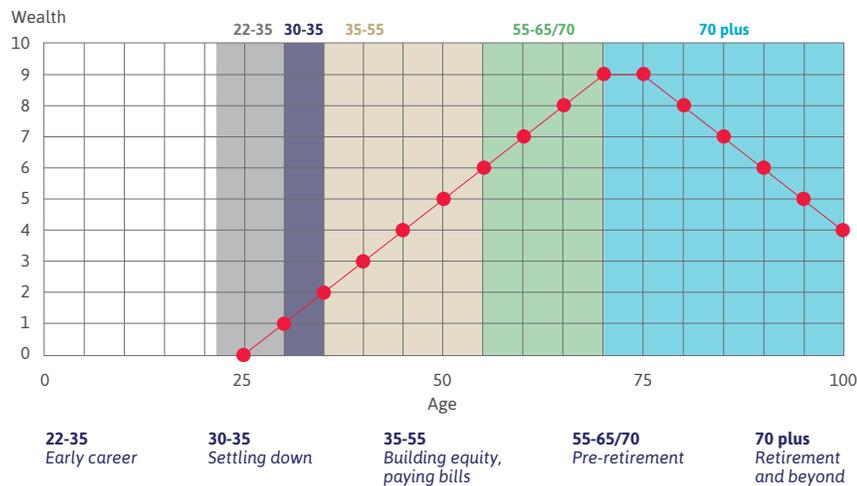
“You can be young without money, but you can’t be old without it.” Most of our clients would agree with Tennessee Williams on that score, which is why retirement is a major area of focus at our firm. However, it’s important not to lose sight of other, often competing concerns.

Marriage or remarriage, selling a business or receiving a significant inheritance, managing illness, living alone, and changing domicile; these are significant transitions that can shape our future financial lives.

When I was young, I had the idea that experiences like these would occur in an orderly fashion, one event at a time, appropriate to my age. This traditional view still has some merit. However, I’ve long since learned that stuff happens, and when it does, it can leave us reeling.

The Traditional Financial Life Cycle

Assets traditionally peak at retirement around 65. But life events can occur at unusual – and unexpected – times, with long-term ramifications for our financial life cycles.



Source: Evercore Wealth Management

In my own case, the first stages of my life unfolded predictably enough. College and graduate school debt, my first job and the start of paying down that debt, marriage, a starter home, children and then, happily, the beginning of wealth accumulation. Since our engagement, my wife and I have had rolling plans and matching sets of investment objectives to achieve specific goals.

The first game plan was simple. We contributed as much as we could each year to a tax-deferred profit-sharing plan and allocated it all to growth assets. I also deferred as much of my compensation as I could into growth-oriented company stock plans. At the same time, we started to accumulate some excess cash, which was

always invested in short-term fixed income obligations to meet educational expenses and contribute to the cost of the next house. Eventually, the excess cash balance become larger than the deferred income and was invested in a balanced fashion.

The plans were reviewed and adjusted annually to measure progress, and to accommodate changes in our circumstances and in the financial markets. Life was good.

Then, in my late 50s, a curve ball. I was forced to leave my long-term position and had to dramatically recalibrate my wealth plan while I developed a new path forward. That meant taking some investment risk off the table – by selling some equities with minimal tax consequences and at what I hoped were not distressed prices – until I was back on the accumulation track. As it turned out, that put us in good stead, when the track itself disappeared in the financial crisis of 2008-2009.

The subsequent bull market and the creation and success of Evercore Wealth Management has relegated those days into the past, but the lessons learned remain fresh. Transitions don't always happen when we expect them to, and they often come in multiples. Friends my age have recently been divorced, remarried, and have lost spouses after long illnesses. Others are, more predictably, selling businesses and retiring, changing domicile, managing illness – and often all at once. Our own affairs are relatively calm and our asset allocation is balanced, apart from funds set aside for younger family members, which are invested for growth.

Good wealth planning recognizes that every individual, every couple and every family is unique. We can also learn from each other, sharing our experiences and our best planning and



investing practices. As Chris Zander writes on page 16, we all need to prepare for the what-ifs of changing markets and regulations, considering the real impact of taxes, fees and inflation. We also need to consider the other costs – the physical, emotional, as well as financial – associated with change in our lives and those of the people we care for. Caring for children, elders or a spouse, to take three common examples, can take years of devotion and force some very tough choices.

Our goal is to help our clients manage through life's progressions, and in particular, during periods of important change. We recommend annual reviews, to adjust to evolving family circumstances and market conditions while staying on track to meet long-term goals.

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Events

New and developing technologies with the potential to transform our lives and our investment portfolios were the focus of two recent – and very different – Evercore Wealth Management *Independent Thinking*[®] events. This ongoing series represents the views of carefully selected external thought leaders, as well as ours and those of our Evercore colleagues.

The firm's San Francisco office hosted Calvin Chin and Habib Haddad, founding partners of E14, the venture capital fund dedicated to deploying and scaling the MIT Media Lab's biggest and best ideas, in an intimate client dinner discussion. Emerging technologies, their possible impact on companies and business models – and the associated societal risks – were the focus of the evening.

In Minneapolis, Evercore Wealth Management Chief Investment Officer John Apruzzese looked behind the headline swings in Bitcoin's value to examine the disruptive technology that is already affecting consumers and investors around the world. He reviewed the broader and growing impact of blockchain technology and the potential role of cryptocurrencies in investor portfolios.

In a more personal vein, and reflective of the firm's commitment to engage and educate client families through private wealth education, Evercore Wealth Management featured a presentation in New York by Victoria Medvec, Professor at Northwestern University's Kellogg School of Management and high-stakes negotiation advisor. She led a diverse gathering in a lively discussion on building relationships and defining – and achieving – success on our own terms.

Independent Thinking Panel Series:

- Investing for the Next Ten Years: Our Global Investment Outlook
Speaker: John Apruzzese
- Charting a Path Through Volatile Markets
Speakers: Martha Pomerantz and Mike Seppelt
- Artificial Intelligence: What's in it for Us?
Speaker: Michael Chui
- U.S. Economic Competitiveness: How Fit Are We?
Speaker: Edward Alden

Wise Women Seminars:

- Wise Women Afternoon: Charting Self-Reliance
Speakers: Lynda Applegate, Maureen Chiquet, Holly Gordon, Linda Lorimer, Consuelo Mack, Pat Mitchell, Martha Pomerantz, Stacie Price, Catherine Sanderson
- Collecting in Context: A Panel Discussion with Leading Art Advisors and Evercore Wealth Management
Speakers: Wendy Cromwell, Amy Cappellazzo, Lisa Roumell

Please contact your Wealth & Fiduciary Advisor or **Jewelle Bickford** at jewelle.bickford@evercore.com for further details on upcoming Evercore Wealth Management events in your region.

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Performance results for individual accounts may vary due to the timing of investments, additions/withdrawals, length of relationship, and size of positions, among other reasons. Prospective investors should perform their own investigation and evaluation of investment options, should ask EWM for additional information if needed, and should consult their own attorney and other advisors. Indices are unmanaged and do not reflect fees or transaction expenses. You cannot invest directly in an index. References to benchmarks or indices are provided for information only. The securities discussed herein were holdings during the quarter. They will not always be the highest performing securities in the portfolio, but rather will have some characteristic of significance relevant to the article (e.g., reported news or event, a new contract, acquisition/divestiture, financing/refinancing, revenue or earnings, changes to management, change in relative valuation, plant strike, product recall, court ruling). EWM obtained this information from multiple sources believed to be reliable as of the date of publication; EWM, however, makes no representations as to the accuracy or completeness of such third party information. Unless otherwise noted, any recommendations, opinions and analysis herein reflect our judgment at the date of this report and are subject to change. EWM has no obligation to update, modify or amend this information or to otherwise notify a reader thereof in the event that any such information becomes outdated, inaccurate, or incomplete. EWM’s Privacy Policy is available upon request. 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EWM and its affiliates engage in a wide range of activities for their own account, and for their clients and the accounts of their clients, including corporate finance, mergers and acquisitions, equity sales, trading and research, private equity, and asset management and related activities. The observations and views expressed herein have been prepared by the individual author and, unless otherwise specifically stated, are solely those of the individual author and not EWM or any of its affiliates or any of their respective personnel. Other professionals of EWM and its affiliates may provide oral or written advice, services, market commentary, trading strategies and other material to clients that reflect observations and views that are contrary to those expressed herein. The author of this material may have discussed the information contained herein with others within or outside EWM and the author, EWM and/or such other persons may have already acted on the basis of this information (including by communicating the information contained herein to other customers of EWM and its affiliates).



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