Essential Growth Portfolio℠

Report for the First Quarter of 2019

Philosophy

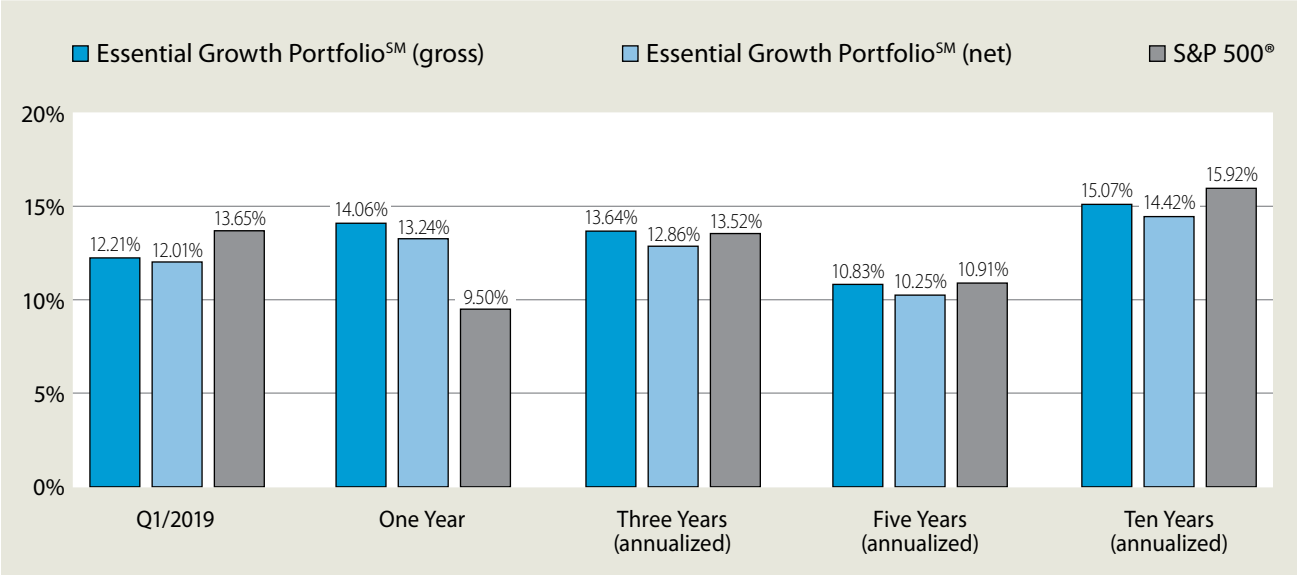
We believe that high quality companies will deliver excellent risk-adjusted returns for investors over a complete market cycle, if chosen according to a disciplined, value-oriented process.

Objective

We seek long-term capital appreciation by investing in a diversified portfolio of common stocks of companies that demonstrate long histories of strong returns on equity and consistent earnings growth. Dividend income is a secondary consideration.

Essential Investment Partners
4600 South Syracuse Street, Suite 410
Denver, CO 80237
(303) 333-8498
www.essentialinvestment.com

Essential Growth Portfolio℠
Total Returns for Periods Ended March 31, 2019



Portfolio Manager's Commentary for Fourth Quarter of 2018

Remember all of those issues that equity investors were worried about in the fourth quarter of last year (global economic slowing, US China trade war, hard Brexit, falling oil prices, government shutdown and rising short term rates)? And the unprecedented dive in December when tax loss selling took over? Well, the markets have a very short memory. Like the memory zapper from *Men in Black*, the Federal Reserve wiped the markets' memory clean with an abrupt change in course.

Top Ten Holdings as of 3/31/19

UnitedHealth Group Incorporated	6.2%
Alphabet Inc. Classes A and C	6.1%
The TJX Companies, Inc.	5.2%
Mastercard Incorporated	5.1%
Becton, Dickinson and Company	5.1%
Johnson & Johnson	4.3%
Ball Corporation	4.3%
Microsoft Corporation	4.3%
Stryker Corporation	4.2%
Cognizant Technology Solutions Corp.	3.8%

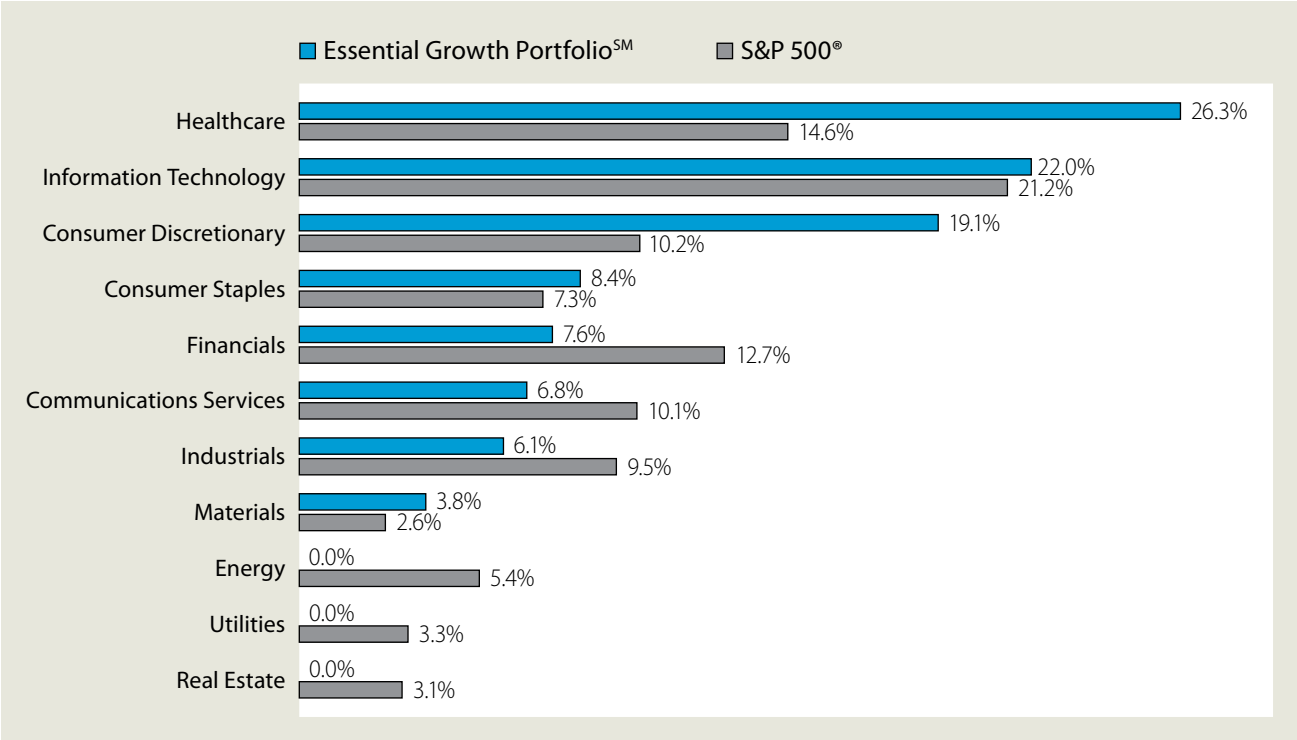
Portfolio Characteristics as of 3/31/19

	EGP	S&P500®
Market capitalization ($bil)	$243	$231
Dividend yield	1.29%	2.01%
Sharpe ratio	1.08	0.98

So US stocks also sharply reversed course again, regaining virtually all of the losses from last quarter. Technology companies, whose stocks had led the charge on the way up earlier in 2018 and then led the retreat in the fourth quarter, kept their market leadership role on the upside. Meanwhile, health care stocks were relatively weak in the first quarter, with concerns about changing government policies overriding solid business results.

For the quarter, US stocks, as represented by the S&P 500 Index®, posted a gain of +13.65%. The Essential Growth Portfolio® composite trailed the return of the S&P 500 Index® in the quarter with a return of +12.21% (gross) and +12.01% (net of fees). For the twelve months ending March 31, 2019, the Essential Growth Portfolio® composite kept its lead over the benchmark, returning +14.06% (gross) and +13.24% (net of fees), compared to a gain of +9.50% for the S&P 500 Index®.

Sector Comparison vs. S&P 500® as of March 31, 2019



Much of the drag on performance in the first quarter was the large cash position in our composite. We kept the large cash position – around 12% - as we believed that many of the fundamental factors the markets were concerned about in the fourth quarter haven't actually been cured. Yes, it is a positive that the Fed is on hold but with longer term interest rates having dropped very significantly, the bond market is betting on a much weaker economy ahead.

As the stock market began to believe that concerns about the US economy were overblown, it's not surprising that the best performing stocks in the Essential Growth Portfolio® were the most cyclical companies in the financial services, industrial and materials sectors. In particular, Mastercard, Ball, Ecolab and United Technologies had strong returns.

The health care sector was a drag on our returns as it was for the broader market. UnitedHealth, the biggest position in our portfolio, posted a small negative return in the first quarter. Conversely, Stryker was the best performer in the entire portfolio.

Our strategy is focused on those sectors and companies that can deliver consistent earnings growth and returns on capital over long periods of time. Indeed, as we look back over the past year, all of our sector exposures contributed double digit returns, which propelled the returns over the benchmark.

We are skeptical that the markets concerns of last quarter have been resolved and continue to hold a relatively large cash position. This cash position, combined with a portfolio of companies that we believe can provide consistent results over the long term, leaves us well-positioned if volatility returns to the equity markets. We remain focused on our objective of providing long term returns very similar to those of the US large cap market with somewhat less risk.

Jon Zeschin, CPA/PFS, CFP®
Portfolio Manager

Important Information

Essential Investment Partners, LLC ("EIP") is registered as an investment adviser with the U.S. Securities and Exchange Commission and will transact investment advisory business in states only to the extent EIP has made or is exempt from the requisite notice filings. No follow up or individualized responses to persons in other jurisdictions that involve either rendering or attempting to render personalized investment advice for compensation will be made absent compliance with applicable legal requirements, or an applicable exemption or exclusion.

The Essential Growth Portfolio℠ is a composite of portfolios managed by EIP in this strategy. This Portfolio may be used as a model for recommendations to other advisory clients, depending on the clients' individual needs, financial condition and risk tolerance. Holdings in an individual client's portfolio may vary from the holdings presented herein.

All composite returns are calculated as time-weighted total returns, reflecting the reinvestment of dividends and capital gains, the effects of cash holdings and the deduction of brokerage commissions on transactions. Dividends and other distributions are recorded when received in cash or additional shares, regardless of when such distributions may be recognized for income tax purposes. "EGP Gross" means the total return composite for the Essential Growth Portfolio℠ without the effect of management fees charged by EIP. "EGP Net" reflects the "EGP Gross" returns adjusted for the actual fees charged to clients. For non-fee paying accounts, EGP Net reflects EGP Gross returns adjusted for the effects of charging a hypothetical fee using EIP's standard fee schedule of 1% of assets per annum up to $2 million, 0.75% of assets per annum on the next $3 million of assets and 0.50% of assets per annum on assets in excess of $5 million, billed quarterly in arrears. This is the highest fee schedule charged to any client using the Essential Growth Portfolio℠. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. The composite contains all fee-paying accounts which are or were managed as standalone portfolios using this strategy. *Past performance does not guarantee future results.* Investing in stocks involves substantial risks, including the risk of losing some or all of the amounts invested.

Prior to 2007, the Essential Growth Portfolio℠ included stocks of all market capitalizations. Since the beginning of 2007, a stock must have a market capitalization of greater than $1 billion to be considered for purchase (and legacy positions were eliminated by the end of 2007). The portfolio management team changed in October, 2015.

The S&P 500® is an unmanaged index of U.S. stocks weighted by market capitalization. The S&P 500® returns presented are time-weighted total returns, including the reinvestment of dividends.

All portfolio characteristics for the Essential Growth Portfolio℠ are weighted averages, except the Sharpe Ratio. The Sharpe Ratio measures the amount of return per unit of risk taken and is calculated by dividing the five year gross annualized return by the five year annualized standard deviation. The sources for other portfolio characteristics are Morningstar, Inc. and internal calculations performed by Essential Investment Partners, LLC.

This information is for illustrative purposes only; nothing contained herein is intended as investment advice or an opinion regarding the appropriateness of any investment, or a solicitation of any type.

Essential Investment Partners
4600 South Syracuse Street, Suite 410
Denver, CO 80237
(303) 333-8498
www.essentialinvestment.com