2nd Qtr. 2019 Investment Counsel Report

Market Summary
While not commensurate with the first 3 months of 2019, the second quarter showed continued improvement of equity prices in general. The S&P 500 Index of large companies rose a healthy 4.3%, and showed gains of 18.5% for the Year To Date. The smaller stocks of the Russell 2000 Index were up a more modest 2.1% and rested at +16.9% for the year thus far. While certainly rewarding, the high performance and the fact that these market averages stood at all-time highs can mask some discrepancies and some neglected areas of the market.

The slowdown in the rate of ascent seen above was also captured by the international stocks of the EAFE Index. EAFE was up 3.9% for the quarter, and exhibited a 14.5% gain for 2019- demonstrably behind the US measures. Concerns over Brexit, slowdown in European growth, US trade relations and many other unsettled business issues have tamped down enthusiasm for future equity prices globally. We are mindful of these concerns, as well as noting the higher pitch of US political rancor coming into budget conversations, Middle East policy (oil related) discord, and higher China/Hong Kong tension and find ourselves in a slightly less confident posture heading to the end of the year.

All Stocks are not created equal...
As long time clients know (more on this below), Aurora has adopted a disciplined and quantitative approach towards making equity investments on behalf of our clients. Our Growth At a Reasonable Price (GARP) approach attempts to avoid undue price risks, while participating in the earnings growth of the underlying companies that we invest with. These principles are designed not to tap into certain cycles or trends, but to provide a consistent exposure to businesses whose metrics are showing progress over time. This is not a perfect approach, but it has been our creed and does provide a measure of downside protection.

As we write presently, most US stock market measures are at "all-time highs"- a true observation. It is also true that on a calendar year basis, the S&P 500 has not had a significant negative year since 2008 (which was "the big one" at -39%), although we squeaked out only small gains of 2% in 2011 and 1% in 2015. However, this does not indicate that all stocks have enjoyed the recent environment equally.

Annualized Return Period	S&P 500 Index	Russell 2000 Index	EAFE International Index	Barclays Bond Agg. Index
Past 43 Weeks - 8/31/18 thru 6/30/2019	3.1%	-8.9%	1.2%	7.0%

Primarily because of the swoon endured in the fourth quarter of last year, equities have not been the best place to be, despite the "all-time highs". In fact, small stocks have a decidedly negative performance over this short period of time.

Another set of observations can illustrate both the differences that exist in asset class categories, but also the importance of time in building cumulative returns.

Annualized Return Period	S&P 500 Index	S&P 500 Cumulative Return	Russell 2000 Index	Russell 2000 Cumulative Return	EAFE (Int'l) Index	EAFE Cumulative Return	Barclays Bond Aggregate Index	Barclays Bond Cumulative Return
20 Years - 6/30/99-6/30/19	5.9%	214.8%	7.8%	346.7%	4.5%	139.0%	4.9%	158.2%
10 Years - 6/30/09-6/30/19	14.7%	294.2%	13.5%	253.1%	7.4%	104.1%	4.2%	51.3%

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The point of listing these random time periods and returns is to illustrate that even as we stand on a long mountain top of all-time highs and despite being removed from recent negative bouts- the S&P 500 has not been a huge gainer in the prior 20 year period. Large Stocks will have periods where they might lag small stocks, Growth stocks will have periods where they lag Value Stocks. And stocks will have short periods where they may lag bonds, which may lag money market returns. Time is the thing that helps balance most all risks that enter the investment equation. What matters to client wallets is how consistent and how disciplined they remain to their long term investment goals.

Aurora Approach

Aurora will remained focused on our GARP discipline to focus on proven, tangible earnings and cash flows, and on equity prices that provide some risk reduction and opportunity if given room to improve. As active investors, we also are more interested in the long term viability of a business model, and are less concerned with index membership or other supply/demand trends for a stock. It is our stance that we are avoiding some short term influences to partner with long term business objectives, and hopefully reducing risk in the interim.

To that end, we are anticipating a happy occasion upcoming- the 25 Year Anniversary of Aurora's investment discipline and investment service. It has been an honor to serve many of our clients for this full period and over these interesting and meaningful years. As a way of celebrating, and to say, "Thank You!", we are inviting all Aurora clients to attend a Braves game in an air-conditioned venue on September 7th, 2019. You can look for an invitation headed your way in coming days, but know that we would welcome your attendance and appreciate the opportunity to celebrate this milestone with our valued clients!

****Source: Bloomberg-** *Dividends/Income reinvested, no fees, unmanaged indexes, Past Performance is no guarantee of future results.*

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