4Th Quarter 2018

As of year end we have maintained our reduced risk allocations in our model portfolios we established in January. As the year unfolded markets were largely ignoring signs of market uncertainty and drifted upward until October at which time volatility picked up significantly. For the quarter the S and P 500 index was down roughly 13.5% and for December it was down roughly 9 percent. When the year finally ended the S and P 500 index was down over 6% for the year and other major indexes were down more, several in double digits. This marks the 3rd time the S and P 500 index has had an annual decline in the past 10 years. So its not as monumental of an event as the media makes it out to be. However, the 2 previous times this occurred (2011 and 2015) the losses were very minor.

need to sort through quite a few issues as the year unfolds. This doesn't necessarily mean the market will have negative returns again but movements on a day to day and week to week basis may be unsettling at times. During times like this; one of our favorite sayings comes to mind and you can see it in the center slick of the newsletter. In short don't let emotions rule the day, we will stay objective and negotiate our way through this. Several clients have asked why we did not make changes in December during the height of the downward momentum. The answer is that based on past experience the worst time to adjust portfolios is

As for the models and the funds they hold we did make a change in the 4th quarter by eliminating the John Hancock Global Absolute return fund and replacing it with Blackrock Event Driven Equity and Goldman Sachs absolute return tracker fund. The John Hancock fund had underperformed our expectations and the manager was slated to leave at year end so it was time for a change. More to follow as we will send another newsletter at the end of January highlighting additional changes.

Don't check your account balances daily and your blood pressure once per year! Constant updates make investing more emotional than it needs to be.

Since the financial crisis of 2008 this was the most challenging year we have had. Calendar year 2018 will go down as a year where very few asset classes had positive returns with cash and short term bonds being the exceptions. Unfortunately, most portfolios also had negative returns as you might suspect. We know this can be unsettling and are currently evaluating things to see how we can best shore things up for what is likely to be another challenging year. While we were not completely surprised at the markets negative returns for the year we were surprised at the relentlessness and the swiftness of the selling especially in December. As we mentioned in the year end newsletter, the list of concerns for 2019 is noticeable and the markets will

when the market is having a temper tantrum (as we like to call it.) Waiting for things to settle and then evaluating where we are objectively removes the emotion of feeling the need to do something at the wrong time. That being said we are planning to reduce risk again in our next rebalance in January due to continued decline in the indicators we follow, and tremendous amounts of uncertainty around our economy, global economies and growing global political tensions. As of this writing Markets have bounced up significantly since the December 24th bottom. This has given us time to catch a breadth and determine what changes are best.

***The Dow Jones Industrial Average is a price weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The DJI*A was invented by Charles Dow back in 1896.**

***The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.**

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