

Quarterly Portfolio Review

Sept 30, 2018

Patience, persistence and perspiration make an unbeatable combination for success.

Napolean Hill

Quarter in Review

- Estate Planning has been one of our focus areas in the last quarter. We are working with clients to determine how we can help them get their Estate Plan on track. Over 90% of inheritances are spent within one generation.
- 1999 vs. 2018: Currently only a handful of large cap stocks are pushing the US Indexes higher. This is similar to what the markets experienced in 1999 when a select group of equities were called the "Nifty 50".
- Tariffs: Both Mexico and Canada have agreed to work with the United States to on trade imbalances. Prior NAFTA agreements were under attack for being unfair to US interests.
- Tax savings: If you are unsure how to plan for an expense and need to withdrawal funds from your IRA, please call us to discuss the details.
- Thank you for the referrals you have given us over the years. We sincerely appreciate your trust.

BENCHMARK CENTRAL YTD QUARTER END

FTSE World Gov't Bond Index 3-7 Yr. Hgd	0.02%
Russell 2000 (US Small Cap index)	10.49%
S&P 500 (US Large Cap index)	8.99%
Wilshire 5000 (US Total Market index)	8.87%
MSCI EAFE (International Stock index)	-3.76%

TRADE WAR, CURRENCIES, RISING RATES AND 10 STOCKS

2018 has been a confusing story. Trade war issues are coming to the forefront. Rising rates in the United States are not only affecting bond prices but also the International markets. Currency fluctuations between US, Developed International, and Emerging markets have become more volatile. A concentration in the returns of 10 stocks is looking more and more like 1999 when a handful of stocks controlled the markets.

This time in 2017 International equities were significantly outperforming their US counterparts. 2018 has been the reverse of that story.

We believe there will be a significant amount of volatility in the coming months. We expected the Fed to continue to raise interest rates but the number of total rate hikes becomes uncertain. The Trade War with China was expected to be reconciled sometime in late 2018 however this is looking more and more like it may not happen until 2019 or later leading to even more tariffs being applied to Chinese goods. How does the increase in tariffs affect the US economy will remain to be seen. They could have an offsetting effect on US small companies that have benefitted from the Corporate tax cuts. Of course not to mention a tense 2018 midterm election in the next month.

Investing is a long term endeavor. 2017 was a very positive year for portfolios. As the issues we mentioned continue to be trending we remain cautious in our expectations in the near term. There is no time like the present to review your financial planning situation and discuss your Investment allocation.

QUARTERLY CLIENT WEBINAR

Date: Thursday, October 25th, Starting time: 12:30 pm, Eastern Daylight Time

Meeting Number: 197 013 960

Website link: <https://meetings.webex.com/collabs/#/meetings/detail?uuiid=M0Q14J28IILYO6O9UJNYOLZMBH-5MWV&rnd=725365.26724>

To join the teleconference only: US TOLL: +1-415-655-0001 Access code: 197 013 960

If you cannot join us for this important webinar, we will post a recording of the entire presentation on our website at www.afadvisors.com.