

QUARTERLY PORTFOLIO REVIEW

September 30, 2019

“Whatever you are, be a good one.”

Abraham Lincoln

Year in Review

- China trade continues to be in the news. While there have been attempts at reconciling the trade issues, they have been unsuccessful. This has led to and will continue to lead to excess volatility in the equity markets.
- Bonds have been a clear winner year over year. As rates have continued to weaken, bond prices have risen. This has been a positive contribution to those in balanced portfolios.
- Based on market predictors, there is a 90% probability of a interest rate cut in October and a 60% chance in December. This is because recent manufacturing statistics have weakened over the last quarter.
- RMD distributions. For those clients over 70.5, we will be contacting them throughout the fall to discuss and distribute funds for their annual RMD.

BENCHMARK CENTRAL YTD ENDING 9.30.19

FTSE World Gov't Bond Index 3-7 Yr. Hedged	+5.73%
Russell 2000 (US Small Cap index)	+12.96%
S&P 500 (US Large Cap index)	+18.74%
Wilshire 5000 (US Total Market index)	+17.87%
MSCI EAFE (International Stock index)	+9.85%

ONE QUARTER MAKES ALL THE DIFFERENCE

While the 2019 year to date stock returns have been good, the 1-year stock indexes are not healthy due to a very rough 4th quarter in 2018. Fortunately, bonds have significantly out-performed stocks over a 1-year period.

Below are the returns of various stock and bond indexes between 9.30.2018 and 10.2.19:

S&P 500:	-0.90%
Dow:	-1.43%
Russell 2000:	-12.72%
FTSE World Govt. Bond:	+8.30%
US Treasury 3-7 Year:	+9.35%

To put this in context, this means an investor with 100% of their investments in the S&P 500 index lost -0.90% year over year. Diversification doesn't mean there won't be times when your portfolio value declines. The only way to ensure that portfolio values don't decline is by being 100% cash but doing so will guarantee a loss of purchasing power. AFA's Investment Philosophy is to always stay invested per IPS asset allocation and to rebalance portfolios on a regular basis.

In the long term, the financial markets provide opportunities for your portfolio. In the short-term there can be rough patches and periods of portfolio decline, but by regular rebalancing and staying invested per the IPS, a portfolio will participate in rebounds and accumulation stages. AFA has been using our "Structured and Disciplined" investment philosophy for several decades and will continue to do so in the future.

QUARTERLY CLIENT WEBINAR

Date: Thursday, October 24th, Starting time: 12:30 pm, Eastern Standard Time

Meeting Number: **790 237 601**

Website link: <https://afadvisorsevents.webex.com/afadvisorsevents/onstage/g.php?MTID=e9ef49fc1cf2004c327bf0974392f685e>

To join the teleconference only: US TOLL: +1-415-655-0002 Access code: **790 237 601**

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.