

# ABL Money Management Update

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## 4<sup>th</sup> Quarter 2018

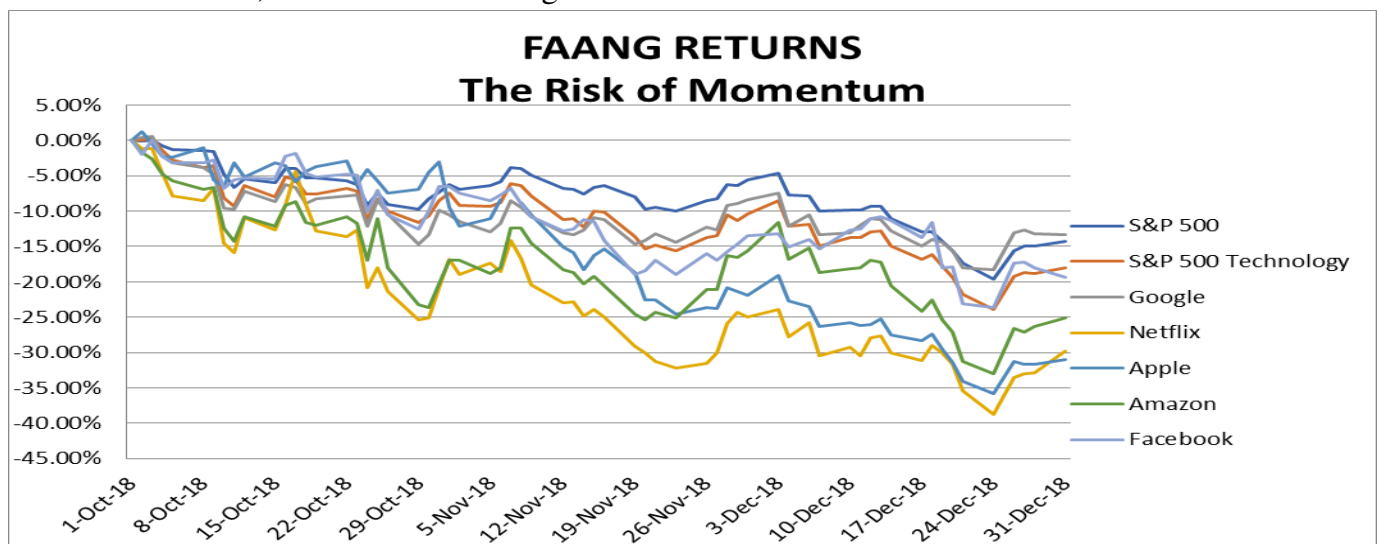
The year ended with the kind of downside volatility not experienced by investors in nearly a decade. In fact, domestic equities had not seen such double-digit percentage losses in any month of December since the depths of the Depression in 1931. It is always insightful to read what advisors were saying at market extremes and the late Summer/early Fall of 2018 is no exception. Here is what we wrote last quarter near all-time high valuations:

*Investors are not going to see Apple and Facebook come close to double in value from current valuations like we have experienced over the past two years. We have been selectively raising some cash in both the technology and consumer discretionary sectors which have been up approximately 20% YTD. We would concentrate on the best risk adjusted opportunities rather than rely on the momentum led star performers continuing to outperform from current lofty valuations.*

At a time when many investors have discarded stocks, we are starting to

accumulate selective bargains. It is impossible to pick a bottom but accumulating high quality industry leaders into weakness should be rewarding for investors with a multi-year time horizon. Times like these will take not only a disciplined approach but also the resolve and patience needed in a long-term perspective. Income will be a critical component in 2019 returns, but the real difference will be made by taking advantage of the extreme swings rather than being played by them. In addition to buying select high quality industry leaders, we are also buying selective energy leaders as that sector hits new lows. The other area of current interest is select preferred stocks trading at a discount to par with definitive maturities (not perpetual).

It is difficult to buy when everyone is selling, but what we have heard from investors that may set us apart since 1987 is the profit taking. Even after so many decades it remains a worthy challenge to have the discipline to take some profits when everyone else is buying into the momentum.











## MARKET UPDATE | 4th QUARTER 2018

### EQUITY INDICES

4th QUARTER

1-YR (12/31/18)

 S & P 500	-14.0%	-6.2%
 D.J.I.A.	-11.8%	-5.6%
 NASDAQ	-17.4%	-2.8%
 Russell 2000	-20.2%	-11.0%
International Stocks ( <i>MSCI EAFE NR USD</i> )	-12.4%	-13.8%
Emerging Mkt Stocks ( <i>MSCI EM PR USD</i> )	-7.7%	-16.6%
 China (CSI 300)	-13.9%	-25.7%
 Germany (DAX)	-13.8%	-18.8%
 Japan (NIKKEI 225)	-17.0%	-12.1%
 India (SENSEX)	-1.7%	6.2%

\*Global Indices returns exclude dividends and are in local currency except where noted otherwise

### U.S. EQUITY SECTORS

4th QUARTER

1-YR (12/31/18)

S&P 500 Utilities	0.5%	0.5%
S&P 500 Communications	-13.6%	-16.4%
S&P 500 Consumer Staples	-6.0%	-11.2%
S&P 500 Materials	-12.8%	-16.5%
S&P 500 Industrials	-17.7%	-15.0%
S&P 500 Energy	-24.4%	-20.5%
S&P 500 Information Technology	-17.7%	-1.6%
S&P 500 Consumer Discretionary	-16.7%	-0.5%
S&P 500 Health Care	-9.1%	4.7%
S&P 500 Financials	-13.6%	-14.7%

### FIXED INCOME AND ALTERNATIVE INVESTMENTS BENCHMARKS

4th QUARTER

1-YR (12/31/18)

Real Estate ( <i>DJ US REIT</i> )	-6.6%	-4.2%
Interm-Term Bond ( <i>Lehman Interm. Gov/Credit</i> )	1.6%	0.7%
High Yield Bond ( <i>BofA/ML Hi Yld Mst II</i> )	-4.7%	-2.0%
Muni Bond ( <i>S&amp;P 7-12 Yr Muni</i> )	2.1%	1.2%
Short-Term Bond ( <i>Barclays 1-3Yr Gov/Credit</i> )	1.9%	0.9%
Commodities ( <i>Bloomberg Commodity</i> )	-11.4%	-11.6%
Master Limited Partnerships ( <i>S&amp;P MLP</i> )	-17.8%	-11.7%

Sources: Standard & Poor's Dow Jones Indices, Yahoo. Performance is for 4th quarter and 12 months ending 12/31/18. Performance includes dividends, except where noted otherwise.