ABL Money Management Update

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1st Quarter 2018

The stock market rally continued impressively through January, and then the volatility we mentioned to expect in 2018 came to the forefront. A 10% correction is not a major problem, especially when considering investors have gone over two years without such a pullback. We expected volatility in both directions to be part of investors' landscape this year and next, and after the past two months the global markets have not disappointed.

It would be great to say that the equity markets will be back to the races starting in the second quarter, but we expect the volatility to continue. This can be a positive for the proactive investor, for those that accumulate quality into those bouts of serious selling. It is equally important to lock in at least partial profits during those periods of bullish activity. The latter was particularly worthy into the surge of valuations in those high flyers that were attractive a few years ago, but rather stretched after an extended series of all-time highs.

Investors in a typical 60:40 asset allocation experienced the dual misfortune of above average losses in stocks combined with additional losses in their interest sensitive investments, like bonds and real estate. Many times the 40% fixed income asset class can protect and cushion stock losses, but instead rising interest rates ate into principal in the space with losses of 1-7%, during the first quarter. Many of our clients were in shorter term CD's where they know they will get their principal back with interest, as long as they hold through maturity. Being short to intermediate term in maturities not only allows us to lock-in at higher rates as CD's mature, but also avoid the losses in many bond funds that have no set maturity date.

It is times like these when non-consensus recommendations and tactical strategies make a material difference. Most investors just react to the news, which adds to the overall volatility, This also creates opportunity for the smart investor. The past quarter in particular emphasized the importance of risk management, and not just following the herd.

We have been fortunate to have benefited from the heightened level of merger and acquisition activity over the past month. This was particularly noteworthy because it was in the face of a very turbulent market environment. Both Calpine and Calgon Carbon closed their premium price takeovers. Last month, a new takeover agreement was announced with AXA proposing to buy our recent recommendation XL Group for a premium of 55% from its valuation earlier this year. For the global markets in general, investors should expect more volatility. We are selective buyers into this weakness. Eventually investors will learn that being in the right areas, and buying strategically, will have an increasing degree of importance.

MARKET UPDATE | 1ST QUARTER 2018

EQUITY INDICES	1ST QUARTER	1-YR (3/31/18)
S & P 500	-0.8%	14.0%
D.J.I.A.	-2.0%	19.4%
NASDAQ	2.6%	20.8%
Russell 2000	-0.1%	11.8%
International Stocks (*MSCI* EAFE NR USD)	-1.5%	14.8%
Emerging Mkt Stocks (*MSCI EM PR USD*)	7.2%	16.2%
China (CSI 300)	12.0%	9.2%
Germany (DAX)	-6.4%	-2.8%
Japan (NIKKEI 225)	-5.8%	13.5%
India (SENSEX)	-2.4%	11.5%

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

U.S. EQUITY SECTORS	1ST QUARTER	1-YR (3/31/18)
S&P 500 Utilities	-3.3%	2.5%
S&P 500 Telecom	-6.6%	-5.5%
S&P 500 Consumer Staples	-6.2%	0.7%
S&P 500 Materials	-5.3%	9.1%
S&P 500 Industrials	1.5%	15.2%
S&P 500 Energy	-5.7%	-0.7%
S&P 500 Information Technology	-1.3%	26.4%
S&P 500 Consumer Discretionary	3.4%	19.0%
S&P 500 Health Care	-0.8%	12.1%
S&P 500 Financials	0.4%	19.9%

FIXED INCOME AND ALTERNATIVE INVESTMENTS BENCHMARKS	1ST QUARTER	1-YR (3/31/18)
Real Estate (*DJ US REIT*)	-6.7%	-2.3%
Interm-Term Bond (*Barclays Interm. Gov/Credit*)	-1.1%	-0.3%
Long Term Treasuries (*iShares 20+ year Treasury Bond ETF*)	-3.4%	3.8%
High Yield Bond (*BofA/ML Hi Yld Mst II*)	-0.9%	4.1%
Muni Bond (*Barclays 7 Yr Muni*)	-1.1%	2.7%
Short-Term Bond (*Barclays 1-3Yr Gov/Credit*)	-0.3%	-0.1%
Commodities (*Bloomberg Commodity*)	1.0%	7.9%
Master Limited Partnerships (*S&P MLP*)	0.3%	0.4%

Sources: Morningstar, Yahoo, and Standard & Poor's. Performance is for 1st quarter and 12 months ending 3/31/18. Performance includes dividends, except where noted otherwise.