

ABL Money Management Update

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2nd Quarter 2018

One year ago we highlighted our barbell approach where at the one end high quality income producing energy stocks offered the solid risk-to-reward ratio we seek in our long-term investments. At the same time on the other end there was a broad array of off the radar small to mid-cap companies trading at bargain levels. This led to a barbell approach of high quality income investments with lesser known growth opportunities. To us this was an ideal situation and much different than the summer of 2007 when everything was overvalued. **The good news is that this barbell approach to outperform in a volatile market is still feasible today. Last month we stressed the new high-quality income side of the barbell being the battered consumer staples and utility sectors that were hitting new lows daily, with record high yields.** While these stocks, like Kraft Heinz and Edison International, have moved up double digit percentages, the other end of the barbell in the long-term growth area still have several very attractive opportunities. **Our barbell strategy was featured in Barron's last summer with Occidental Petroleum, our core energy recommendation, and an eclectic list of three aggressive long-term growth opportunities on**









the other side of the spectrum. The Barron's interview featured our recommendations of Twitter, Crocs, Fitbit, and a short recommendation of iRobot as it approached triple digits per share for the first time. One year later it would be extremely difficult to match the performance of those recommendations in regards to our correct selection of bargain opportunities. **Investors looking for a current, more balanced or middle of the barbell recommendation, should accumulate H&R Block (HRB), its depressed stock is hitting new lows below \$23 a share and now yields over 4.2%.**

It should be noted that while many of our previous domestic telecom recommendations have recently caught favor on Wall Street, there are still opportunities abroad that offer alluring total return potential. Two years after Brexit, with the UK market dramatically underperforming, we are selectively starting to accumulate several long-term total return opportunities as they hit new multi-year lows. Managing risk will remain a critical part of the investor success equation for the latter half of 2018, just like it was in the first half.

ONE YEAR AGO TODAY – BARRON'S FOUR LONGS AND A “SHORT”

Company/Ticker	Recommended Price	Current Price (6/26/18)	Return Last 12 Months
Twitter/TWTR	\$16.91	\$44.84	+165.17%
Crocs/CROX	7.17	17.85	+148.95%
Occidental Petroleum/OXY	60.01	82.68	+ 37.78%
FitBit/FIT	5.02	6.83	+ 36.06%
Company/Ticker	Recommended Sell	Current Price (6/26/18)	Return Last 12 Months
iRobot/IRBT	\$97.73	\$75.40	+ 22.85%
Comparable Index	Historical Index Level	Current (6/26/18)	Return Last 12 Months
S&P 500/^GSPC	2439	2723	+ 11.64%
Russell 2000/^RUT	1417	1658	+ 17.00%

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EQUITY INDICES	2nd QUARTER	YTD (6/30/18)	1-YR (6/30/18)
 S & P 500	4.4%	1.7%	11.4%
 D.J.I.A.	1.3%	-0.7%	16.3%
 NASDAQ	6.3%	8.8%	22.7%
 Russell 2000	7.7%	7.7%	17.6%
International Stocks (<i>MSCI EAFE NR USD</i>)	-2.8%	-1.2%	6.8%
Emerging Mkt Stocks (<i>MSCI EM PR USD</i>)	-8.7%	-7.7%	5.8%
 China (CSI 300)	-9.9%	-14.1%	-3.8%
 Germany (DAX)	1.7%	-4.7%	-0.2%
 Japan (NIKKEI 225)	4.0%	-2.0%	11.3%
 India (SENSEX)	7.5%	4.0%	14.6%

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

U.S. EQUITY SECTORS	2nd QUARTER	YTD (6/30/18)	1-YR (6/30/18)
S&P 500 Utilities	2.8%	-1.5%	0.0%
S&P 500 Telecom	-2.3%	-10.8%	-3.8%
S&P 500 Consumer Staples	-2.3%	-9.9%	-6.7%
S&P 500 Materials	2.1%	-4.0%	7.8%
S&P 500 Industrials	-3.7%	-5.6%	3.3%
S&P 500 Energy	12.7%	5.3%	17.5%
S&P 500 Information Technology	6.8%	10.2%	29.6%
S&P 500 Consumer Discretionary	7.8%	10.8%	21.9%
S&P 500 Health Care	2.7%	1.0%	5.3%
S&P 500 Financials	-3.6%	-4.9%	7.7%

FIXED INCOME AND ALTERNATIVE INVESTMENTS BENCHMARKS	2nd QUARTER	YTD (6/30/18)	1-YR (6/30/18)
Real Estate (<i>DJ US REIT</i>)	6.6%	-0.7%	1.0%
Interm-Term Bond (<i>Lehman Interm. Gov/Credit</i>)	0.0%	-1.0%	-0.7%
High Yield Bond (<i>BofA/ML Hi Yld Mst II</i>)	1.0%	0.6%	2.5%
Muni Bond (<i>S&P 7-12 Yr Muni</i>)	0.8%	-0.9%	0.6%
Short-Term Bond (<i>Barclays 1-3Yr Gov/Credit</i>)	-0.4%	-2.1%	-1.2%
Commodities (<i>Bloomberg Commodity</i>)	0.4%	-1.5%	5.6%
Master Limited Partnerships (<i>S&P MLP</i>)	10.9%	-2.8%	-8.9%

Sources: Fidelity. Performance is for 2nd quarter and 12 months ending 6/30/18. Performance includes dividends, except where noted otherwise.