
ABL Money Management Update

Alan B. Lancz & Associates, Inc. Registered Investment Advisor
2400 N. Reynolds Rd. / Toledo, Ohio 43615 / 419-536-5200 / Fax 419-536-5401 / E-mail: abl@ablonline.com

Fourth Quarter 2019

Sellers were abundant going into 2019 as interest rates were on the rise and the economic outlook seemed uncertain. One year later investors are propelling stocks to record levels. As valuations advance gains will be more challenging and continued low interest rates and definitive progress with the China tariff talks will remain critical.

Similar to how the selling during the fourth quarter of 2018 led to enhanced gains last year, investors should keep in mind that accelerated gains into early 2020 will likely borrow from the second half of 2020 and even potentially 2021's gains. Rather than chasing the industry leaders, many that have been concentrated positions within our managed accounts for decades, we would focus on quality income producing opportunities combined with select depressed cyclicals that have just started to recover. Investors should expect more volatility in both directions over a much more condensed time period into the first few years of the new decade.

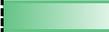
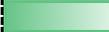
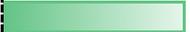
We made several new recommendations early into the 4th quarter as the stock market had several areas that significantly underperformed. In a more of a contrarian stance when you have such extremes, select energy investments provide an interesting long-term opportunity from current

depressed levels. After a full decade of significant underperformance there are definitely select opportunities for a secular recovery. The fact that natural gas prices collapsed nearly 40% last year from already depressed valuations makes this cleanest of the fossil fuels the best play over the long term. It may take several years to absorb the current glut, but the decline of coal should gradually force the conversion to natural gas for those utilities currently powered by coal. This, and the rebound of LNG shipments abroad once the tariff discussions are concluded, should balance out the skewed supply and demand dynamic. Even in what has been an exceptional time for tech and communications leaders, there are select opportunities in companies, within these sectors, that have yet to participate. An old tech leader like Cisco Systems, in the low forties, looks undervalued from a long-term perspective. For those looking for aggressive growth rather than total return, Nokia Corp looks appealing at current depressed valuations. The fact that both companies should benefit from the 5G implementation into 2020-2021 seems to be missed by current sellers.

In summary, it is wise to expect more volatility, in both directions, this year and investors should get used to shorter term extremes.

MARKET UPDATE | 4th QUARTER 2019

EQUITY INDICES

	4th QUARTER	1-YR (12/31/19)
 S & P 500	8.5% 	28.9% 
 D.J.I.A.	7.4% 	22.3% 
 NASDAQ	13.5% 	35.2% 
 Russell 2000	11.7% 	23.7% 
International Stocks (<i>MSCI EAFE NR USD</i>)	8.1% 	24.7% 
Emerging Mkt Stocks (<i>MSCI EM PR USD</i>)	11.7% 	17.5% 
 China (CSI 300)	7.4% 	38.5% 
 Germany (DAX)	8.1% 	25.7% 
 Japan (NIKKEI 225)	8.3% 	16.2% 
 India (SENSEX)	8.3% 	16.3% 

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

U.S. EQUITY SECTORS

	4th QUARTER	1-YR (12/31/19)
S&P 500 Utilities	0.0% 	22.4% 
S&P 500 Communication Services	8.6% 	30.9% 
S&P 500 Consumer Staples	2.8% 	24.0% 
S&P 500 Materials	5.8% 	21.9% 
S&P 500 Industrials	5.0% 	26.8% 
S&P 500 Energy	4.4% 	7.6% 
S&P 500 Information Technology	14.0% 	48.0% 
S&P 500 Consumer Discretionary	4.1% 	26.2% 
S&P 500 Health Care	13.9% 	18.7% 
S&P 500 Financials	9.9% 	29.2% 

FIXED INCOME AND ALTERNATIVE INVESTMENTS BENCHMARKS

	4th QUARTER	1-YR (12/31/19)
Real Estate (<i>DJ US REIT</i>)	-2.2% 	18.6% 
Interm-Term Bond (<i>Lehman Interm. Gov/Credit</i>)	0.4% 	6.8% 
High Yield Bond (<i>BofA/ML Hi Yld Mst II</i>)	2.6% 	14.6% 
Muni Bond (<i>S&P 7-12 Yr Muni</i>)	0.6% 	7.8% 
Short-Term Bond (<i>Barclays 1-3Yr Gov/Credit</i>)	0.0% 	9.6% 
Commodities (<i>Bloomberg Commodity</i>)	4.4% 	5.1% 
Master Limited Partnerships (<i>S&P MLP</i>)	-5.2% 	1.2% 

Sources: Standard & Poor's Dow Jones Indices, Yahoo. Performance is for 4th quarter and 12 months ending 12/31/19. Performance includes dividends, except where noted otherwise.