

### Happy New Year to Everyone.

Hopefully 2018 was a rewarding year and full of memories to be cherished in the future. Watching football is a favorite pastime of many, and the similarities in finance to the game of pigskin can be striking.



## A SEASON TO REMEMBER

### Are You Playing the Long Game?

The Kentucky Wildcats football team put together what some are calling their best season ever. They were led by two players that coming out of high school were not five-star prospects. Benny Snell was a three-star recruit that has powered the offense and two-star Josh Allen (projected to be a top 5 NFL draft pick) anchored the defense. How did this happen? Trusting their coaching staff and taking the long-game by investing in the team's process and their personal development paid big dividends.

### As we start the New Year

It's important to understand the relationships between the short-term and long-term games. Most everyone understands the concepts of spending less than we make to invest the difference. This may not seem significant, but over time the compounding effect of the long game has a big reward. You must suffer today to enhance your life in the future, which is hard to do. Everything you do is either the short game or long game, but time amplifies these decisions.

Here are some interesting viewpoints to consider:

- Saving money for tomorrow  
vs  
Spending today
- Reading a book to enhance your knowledge  
vs  
Watching Netflix
- Staying late at work  
vs  
Spending time with family & loved ones
- Going to the gym  
vs  
Sleeping later
- Eating healthy  
vs  
Splurging on ice cream

Finding the right balance in life can be extremely difficult, but what better time to evaluate your life decisions than now?

# THE YEAR IN REVIEW



2018 ended up being a very frustrating year for investors. The economy may have seemed strong, but the capital markets' returns descended quickly into the negative, which is often difficult for investors to understand. Furthermore, diversification has been a detractor from returns. This year was the first year since 1972 that one of the major asset classes didn't return at least 5%. To add insult to injury, international stocks were down double digits for the year, and high-quality bonds posted their first loss in five years. Who would have thought that cash would end up being the asset class of choice for this year?

When sudden selling hits, often there is nowhere to hide. Early panic selling can be indiscriminate. However, as markets regain order, assets can return to their more predictable or logical performance levels.

These waves of selling emerging from a perfect economic environment and prior optimism leave us with trying to explain why this bout of volatility has emerged and when it will end:

## ○Headline News?

This was probably the biggest culprit. Fears of the Federal Reserve slowing the economy, followed by a government shut-down, turnover in the Administration's cabinet and an ongoing trade spat with China has created a big wall of worry. **YES**

## ○Economic Data?

It has been really positive on this front with strong auto/truck sales, record holiday retail sales and job/wage gains. Housing in the US has slowed and exports have been weak along with growth slowing in Euroland and China, but are still expansionary. **NO**

## ○Changing Market Structure?

Over time, passive investors have grown and active investors have shrunk, and the importance of algorithmic trading has increased. Once momentum algorithms are triggered, there are not enough active investors, who trade on fundamentals, to stand in their way. This dynamic is amplified during periods of less liquidity and lighter volumes, such as the holidays. However, unless these pullbacks are validated by legitimate deterioration in economic conditions, they are unlikely to endure. **NO**

Market environments like this can put your composure and discipline to the test. We feel like this recent volatility will subside in the months to come and we take comfort knowing that our portfolios are designed for your return goals, time horizon and risk tolerance.

*IF YOU WANT TO SEE THE  
SUNSHINE, YOU HAVE TO  
WEATHER THE STORM.*

—FRANK LANE

*IT IS NEVER TOO LATE  
TO BE WHAT YOU MIGHT  
HAVE BEEN.*

—GEORGE ELIOT