As of 12/31/2018

Q1 2019

Spectrum Investor® Quarterly Newsletter

SPECTRUM[SM]

INVESTMENT ADVISORS

IN THIS ISSUE

UPCOMING EVENTS

Spectrum Investor®
Coffee House
Educational Series
Global Markets Outlook
January 30, 2019
Featuring Guest Speaker
Emily Roland, CIMA
Head of Capital Markets Research
John Hancock

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IN THE NEWS

Spectrum was named a

2018 Top DC Advisor Team *by the National Association of Plan Advisors*

The National Association of Plan Advisors (NAPA) is a compilation of leading individual advisor teams ranked by self-reported defined contribution assets under advisement. The list is made up of 255 teams with more than $100 million in DC assets under advisement. NAPA was created by and for retirement plan advisors and is the only advocacy group exclusively focused on the issues that matter to retirement plan advisors.

WEEKLY MARKET UPDATES

Visit our website at ***www.spectruminvestor.com*** *under Resources & Links and click on Investment Resources*

Our ADV Part 2A & 2B and our Privacy Notice can be found on our website

Economic Update

James F. Marshall
President

Jonathan J. Marshall
Chief Investment Officer

The S&P 500 finished down 4.4% in 2018. It was just the second calendar year decline for the US stock index in the last 15 years and the first since 2008 when the S&P 500 was down 37%. The S&P 500 had been up through September before falling 13.5% in the fourth quarter, the worst quarterly decline since 2011.

Is the economy slowing down? The good news is, the factors that propelled markets higher in 2017 and mid-2018 are still in tact: **strong US economy, low unemployment, healthy corporate profits**. Although the stock market finished lower in 2018, the US economy overall had one of its best years since 2005, with real GDP near 3% growth. The important part to understand is that the US economy is still expected to grow in 2019, although at a slower pace, likely around 2%. **The slowing pace of growth does not mean a recession, but it does increase the risks of a recession if the slowing momentum goes too far.**

What caused the stock market to decline? At the core of the decline were issues we have been discussing throughout the year: **rising interest rates, US-China trade war, slower global economy in 2019 and 2020**. None of these key issues are new or unexpected. By the end of September, stocks were generally priced as if they would be resolved without much difficulty. What changed is, the news around these issues generally worsened throughout the quarter.

October 3: Federal Reserve Chairman Powell said "we are a long way from neutral," meaning more rate hikes to come in 2019. **December 1**: US and China announced a temporary truce, disappointing investors looking for a more concrete resolution. **December 19**: Federal Reserve Chairman Powell announced the Fed expects two more rate hikes in 2019, while markets were hoping for a "wait and see" approach amid declining stock values and signs of a slowing economy.

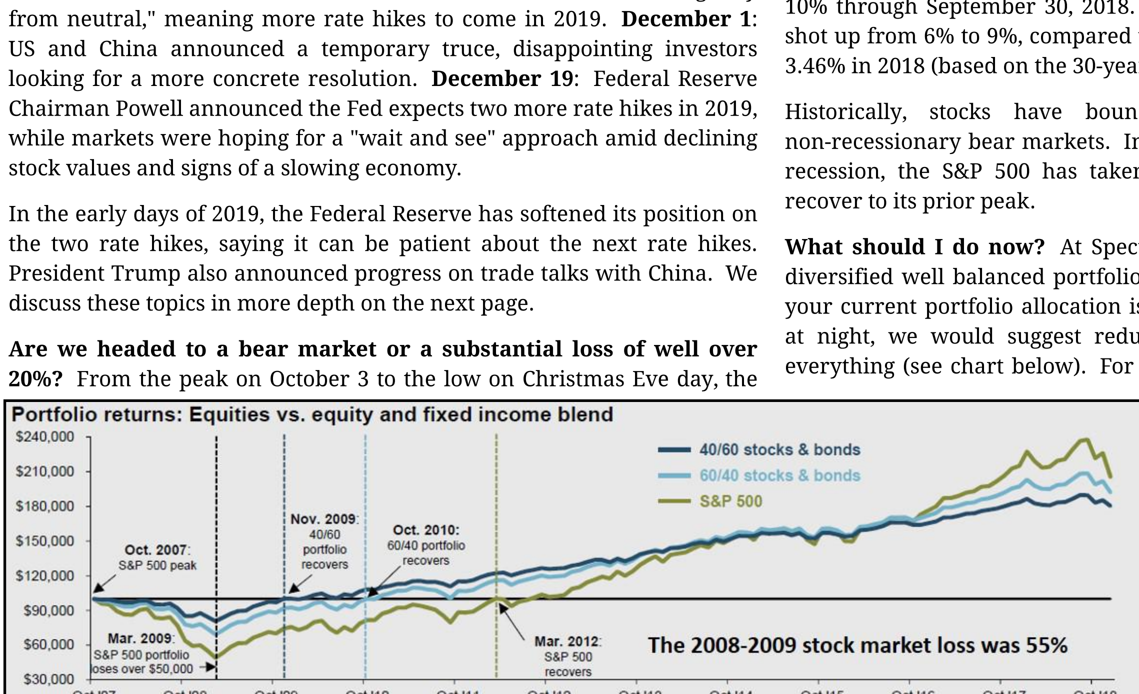
In the early days of 2019, the Federal Reserve has softened its position on the two rate hikes, saying it can be patient about the next rate hikes. President Trump also announced progress on trade talks with China. We discuss these topics in more depth on the next page.

Are we headed to a bear market or a substantial loss of well over 20%? From the peak on October 3 to the low on Christmas Eve day, the S&P 500 was down 19.6%, barely missing the technical definition of a bear market, which is a 20% decline. While bear markets can occur without a recession, if the economy is still growing, much like it is today, market declines tend to stop at around 20%. According to **John Lynch,** Chief Investment Strategist at LPL Financial, three of the past four non-recessionary bear markets ended with 20-24% corrections. The fourth, a 34% decline in 1987, occurred under very different conditions. The S&P 500 was up more than 40% year-to-date in August 1987 before the sell off began. This compares to a gain in the S&P 500 of just below 10% through September 30, 2018. In 1987, long-term interest rates also shot up from 6% to 9%, compared to a much smaller move from 2.85% to 3.46% in 2018 (based on the 30-year treasury yield).

Historically, stocks have bounced back relatively quickly from non-recessionary bear markets. In the past four bear markets without a recession, the S&P 500 has taken an average of about 11 months to recover to its prior peak.

What should I do now? At Spectrum, our goal is to keep investors in diversified well balanced portfolios, based on age and risk tolerance. If your current portfolio allocation is causing you to have trouble sleeping at night, we would suggest reducing stock exposure, but not selling everything (see chart below). For the average investor, the best thing to do, is nothing. As **Charlie Munger**, Vice Chair of Berkshire Hathaway said about his partner last year, "**Warren Buffett** is very good at doing nothing."

As we have suggested in previous newsletters, investors with less than 15 years to retirement and more than 60% in stocks may want to confirm if that level of risk is still appropriate for their strategy and risk tolerance.



Source: JP Morgan Asset Management; (Top) Barclays, Bloomberg, FactSet, Standard & Poor's; 60/40: A balanced portfolio with 60% invested in S&P 500 Index and 40% invested in high-quality US fixed income, represented by the Bloomberg Barclays US Aggregate Index. The portfolio is rebalanced annually. S&P 500 Index is a market capitalization-weighted index composed of the 500 most widely held stocks whose assets and/or revenue are based in the US. Guide to the Markets – U.S. Data as of 12/31/18.

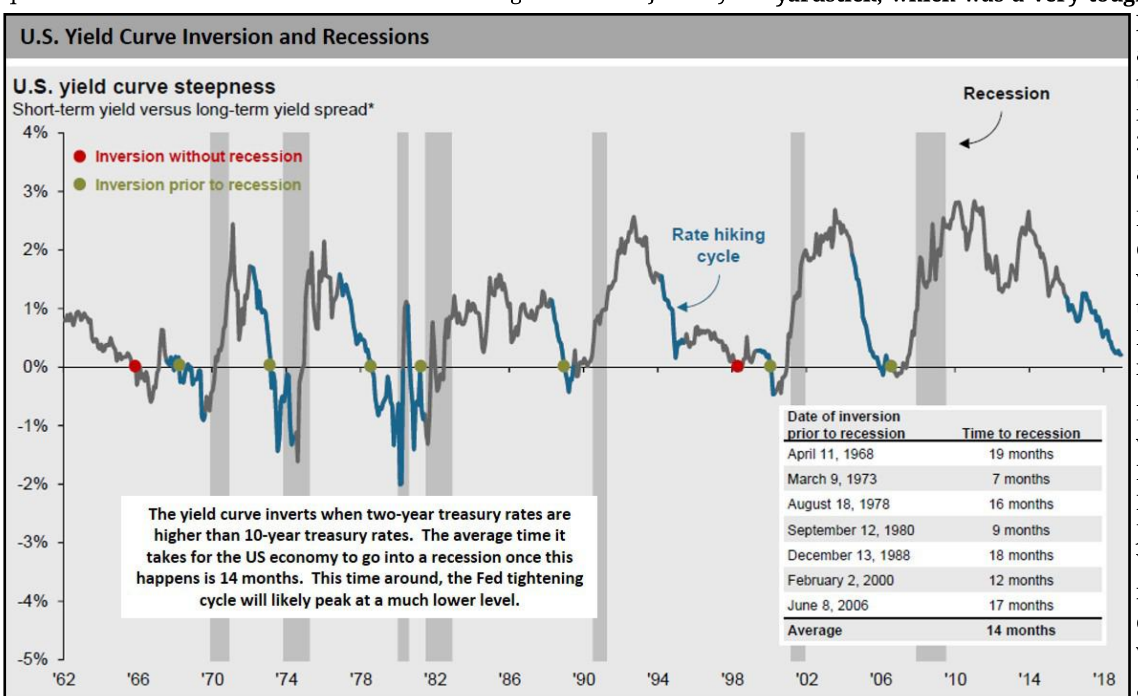
Quarterly Economic Update Continued

For those aggressive/long-term investors, you may look at this correction as an opportunity to buy rather than to sell, but don't be in a rush. If you buy, consider tweaking your portfolio a little at a time, and not all at once. Think long-term and don't get overly excited about short-term volatility. You may also be doing yourself a favor by shutting off CNBC and reading a book or listening to some music.

What investment indicator is the most important to the markets? A few years ago on our annual trip to the Berkshire Hathaway meeting, Warren Buffett answered this question with, "There are many indicators, but if I could only pick one, it would be **interest rates**." Warren refers to it as opportunity costs. For example, in the summer of 1999, with the opportunity to invest in bonds at 6%, his message was, "It's time to buy bonds." With today's 10-year treasury yield of only 2.69%, Warren is not compelled to sell stocks and buy bonds.

Perhaps the biggest policy uncertainty weighing on the markets has been the Federal Reserve. At its December 19 policy meeting, the Fed didn't pull back projected 2019 rate hikes as far as the market would have liked, but we are encouraged by the increased flexibility reflected in Fed Chair Powell's January 4 public comments using former Fed Chairman Janet Yellen's favorite word, "**patience**", which contributed to the Dow Jones Industrial Average going up 750 points that same day. We continue to take comfort in his capital markets background and the rarity of Fed rate hikes during stock market corrections. Powell also said the Fed "wouldn't hesitate" to tweak balance sheet reduction if it was causing problems, compared to previously saying the reduction was on "auto-pilot". 2018 was the first full year of the reduction in the Fed balance sheet, the unwinding of the quantitative easing program.

While dysfunction in Washington DC with the **government shutdown** is one of the reasons for the market turmoil, events like these have historically been resolved quickly and have not had much of an impact on the stock market. The S&P 500 has risen during each of the five previous shutdowns. However, the current shutdown became the longest in history on January 12, 2019, and the longer it lasts, the more likely it will be problematic. Moody's estimates a 0.2% detraction to first quarter GDP if the shutdown is still in effect through the end of January.



*Source: FactSet, Federal Reserve, JP Morgan Asset Management. *From January 1962 to May 1976 short-term bond is U.S. 1-year bond. Short-dated bond is 2-year from June 1976. Time to recession is calculated as the time between the final sustained inversion of the yield curve prior to recession, and the onset of recession. Guide to the Markets – U.S. Data as of 12/31/18.*

Dr. David Kelly, Chief Global Market Strategist for JP Morgan, sees the US economy slowing from 3% GDP growth in 2018 to close to 2% GDP growth in 2019. With the economy grinding along at 2%, there is a better chance the expansion can continue versus a boom and bust cycle.

One of the biggest issues the US economy has is running out of workers. The US is currently near the lowest unemployment rate since 1969. An economy near full employment is more sensitive to immigration trends. Australia is experiencing a 23-year economic expansion. A primary reason for this is that Australia promotes immigration, especially legal immigration, which is a boost to their economy. In comparison, Japan doesn't promote immigration and today the Japanese unemployment rate is down to 2.5%, which will make it difficult for the Japanese economy to continue to grow.

Dr. Kelly said that we cannot underestimate the impact of the **US-China trade (tariffs)** issues on the global economy. Dr. Kelly believes the tariffs are hurting both economies. If President Trump waits too long to make a deal with China, it could push the US economy into a recession and the country may not have enough time to recover before the November 2020 presidential election, which would put his reelection in jeopardy. This provides incentive to make a deal before the temporary truce ends March 1, 2019. "Brexit", the UK separation from the EU, is set for March 29, adding to uncertainty in the first quarter of 2019.

In Dr. Kelly's quarterly conference call, he also explained that lower oil prices from, $70 per barrel in October 2018 to today at $45 per barrel, have taken a lot of steam out of the potential for inflation. Lower inflation can help provide the Fed with "patience" if market volatility continues through Brexit and the US-China trade negotiations.

Dr. Kelly is predicting one more Fed rate hike rather than two. Bottom line is that after nine Fed rate hikes we are getting closer to the end of the rate hike cycle. A more patient Fed can provide optimism that an inverted yield curve will be avoided. The chart on the lower left shows a recession typically occurs within 14 months of a yield curve inversion.

Dr. Kelly stated he wouldn't judge the next recession using 2008 as a yardstick, which was a very tough time for US banks. Today the US banking industry is well capitalized and much stronger than 2008. With that in mind, since WWII, the market declines prior to 2002 and 2008 averaged 24% versus an average of 50% in 2002 and 2008.

Dr. Kelly is advising not to get too carried away with an under weighting of equities by waiting for the markets to settle down. Historically, US markets settle up, not down. Stay balanced.

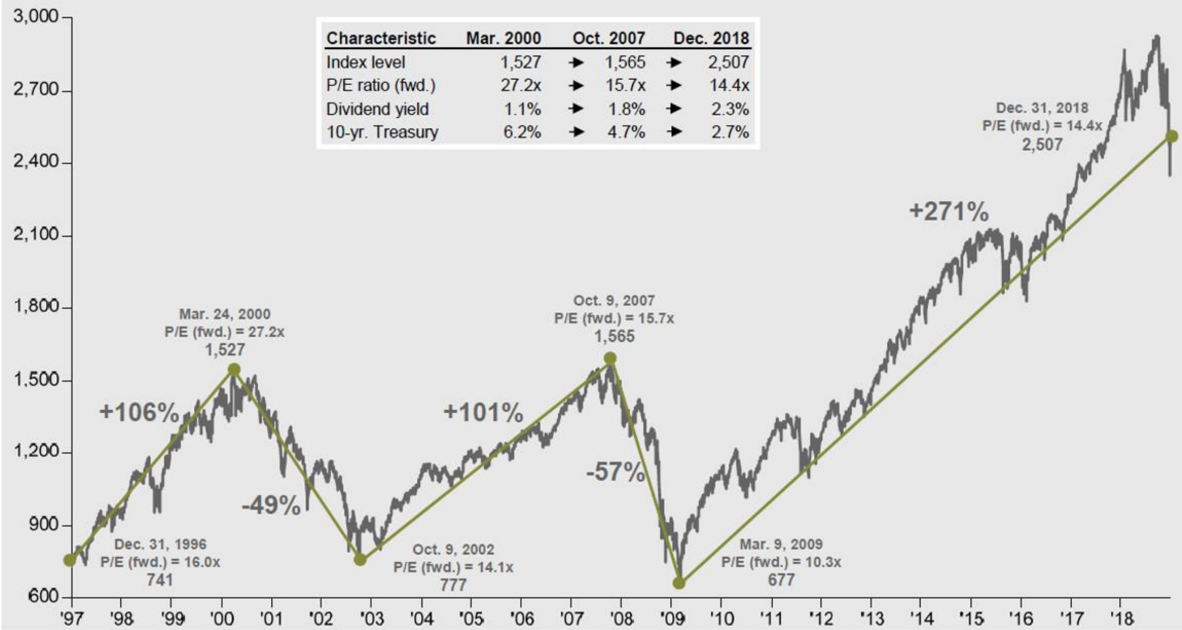
For "more on the markets" visit our website and read comments from Dr. David Kelly from JP Morgan, Brian Jacobsen from Wells Fargo, John Lynch from LPL, and Brian Wesbury from First Trust. For a review of your portfolio, please call our office at 800-242-4735 to speak with one of our advisers.

Stay the course.

Spectrum Investor® Quarterly Newsletter

S&P 500 Index at Inflection Points: The S&P 500 is up 271% since early 2009. Pay particular attention to the comparison of the dividend yield in the S&P 500 versus the interest rate on the 10-year treasury. In 2000 & 2007, as interest rates went over 4.5%, the market flowed to bonds vs stocks. The dividend yield on the S&P 500 is now at 2.3% versus the interest rate on the 10-year treasury at 2.7%. On 9/30/18, the dividend yield was 2.0% vs. the 10-year treasury at 3.1%. The current yield on bonds is still too low to substantially pull away from stocks, unlike 2000 & 2007.

S&P 500 Index at Inflection Points



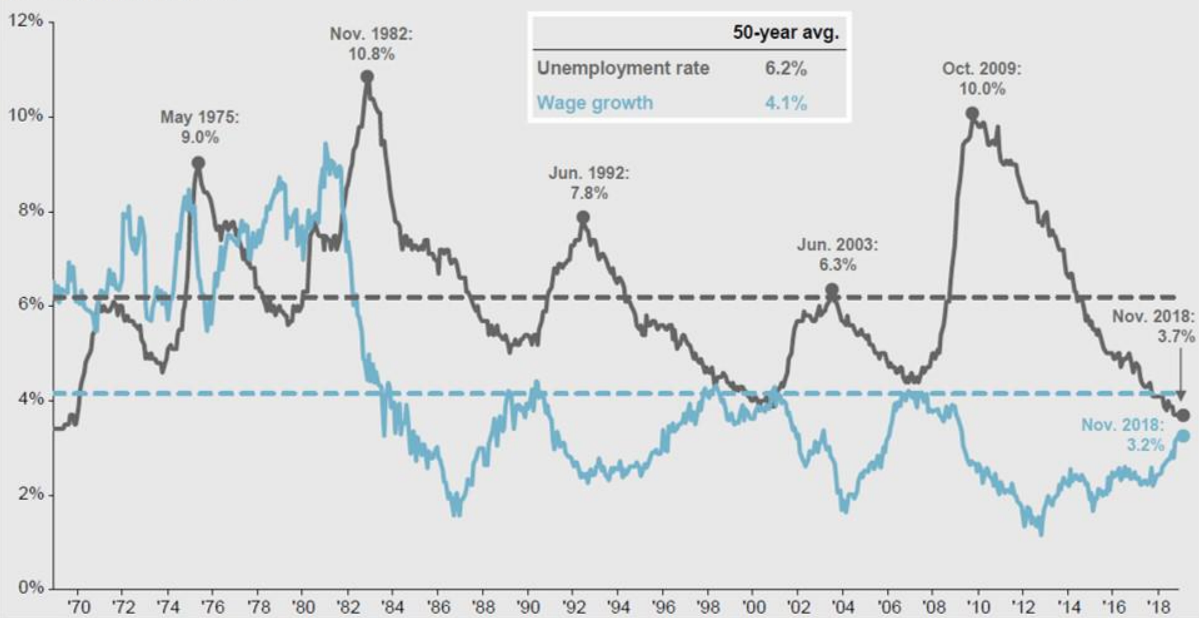
Characteristic	Mar. 2000		Oct. 2007		Dec. 2018
Index level	1,527	→	1,565	→	2,507
P/E ratio (fwd.)	27.2x	→	15.7x	→	14.4x
Dividend yield	1.1%	→	1.8%	→	2.3%
10-yr. Treasury	6.2%	→	4.7%	→	2.7%

Source: Compustat, FactSet, Federal Reserve, Standard & Poor's, JP Morgan Asset Management. Dividend yield is calculated as consensus estimates of dividends for the next 12 months, divided by most recent price, as provided by Compustat. Forward price to earnings ratio is a bottom-up calculation based on the most recent S&P 500 Index price, divided by consensus estimates for earnings in the next 12 months (NTM), and is provided by FactSet Market Aggregates. Returns are cumulative and based on S&P 500 Index price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future results. The S&P 500 Index is a market capitalization-weighted index composed of the 500 most widely held stocks whose assets and/or revenue are based in the US. Guide to the Markets - U.S. Data as of 12/31/18.

Unemployment and Wages: As the below chart indicates, when unemployment and wage growth come close to intersecting, the Fed has to put the pedal to the medal and raise interest rates multiple times, which they have done, with nine rate increases. The Fed closely watches the unemployment rate, at 3.7% and wage growth, at 3.2%. Should the rate on wage growth exceed the rate on unemployment, the Fed will likely have to continue raising interest rates.

Unemployment and Wages

Civilian unemployment rate and year-over-year wage growth for private production and non-supervisory workers
Seasonally adjusted, percent



	50-year avg.
Unemployment rate	6.2%
Wage growth	4.1%

Source: BLS, FactSet, JPMorgan Asset Management. Guide to the Markets – U.S. Data as of 12/31/18.

Spectrum Investor® Annualized Analysis: Be careful with chasing growth stocks (red), as they have finished on top for the past 10 years. In 2008, growth stocks (red) finished on the bottom for a 10-year period, with natural resources (black) finishing on top for the same 10-year period. 10 years later, the two styles have flipped in performance, with natural resources (black) on the bottom and growth stocks (red) on top.

Annualized returns for key indices ranked in order of performance through 12/31/18.

	30 Year	25 Year	20 Year	15 Year	10 Year	5 Year	3 Year	1 Year
BEST	13.61%	10.88%	9.83%	8.90%	14.81%	10.55%	10.85%	0.01%
	11.45%	9.74%	8.97%	8.60%	13.68%	8.49%	9.26%	-0.01%
	10.49%	9.60%	8.23%	8.11%	13.52%	7.89%	7.66%	-4.22%
	10.26%	9.19%	7.40%	7.96%	13.12%	6.06%	7.38%	-4.38%
	10.20%	9.07%	6.14%	7.77%	12.05%	6.03%	7.37%	-8.95%
	9.74%	8.28%	5.62%	7.49%	11.97%	5.13%	7.24%	-9.31%
	9.20%	8.26%	5.53%	6.91%	11.21%	4.41%	7.23%	-11.01%
	8.48%	6.94%	5.44%	6.76%	10.40%	3.61%	2.87%	-11.08%
WORST	6.82%	5.09%	4.55%	4.94%	6.32%	2.52%	2.06%	-12.86%
	4.94%	4.63%	3.52%	4.74%	3.48%	0.53%	1.97%	-13.79%
				3.87%	2.99%	-6.50%	1.50%	-21.07%

Investment Style	Representative Index	Correlation to S&P*
Intermediate-Term Bonds	Barclays Capital Aggregate Bond Index	0.02
Large Cap Value	S&P Value Index	0.98
Large Cap Blend	S&P 500 Index	-
Large Cap Growth	S&P Growth Index	0.98
Mid Cap Blend	S&P MidCap 400 Index	0.94
Small Cap Value	Russell 2000 Value Index	0.89
Small Cap Blend	Russell 2000 Index	0.91
Small Cap Growth	Russell 2000 Growth Index	0.90
International	MSCI EAFE Index	0.89
Real Estate	DJ US Select REIT Index	0.72
Natural Resources	S&P North American Natural Resources Index	0.72

Correlation based on the past 120 monthly returns from 1-1-08 to 12-31-18.

Past performance is not an indication of future results. You cannot invest directly in an index.

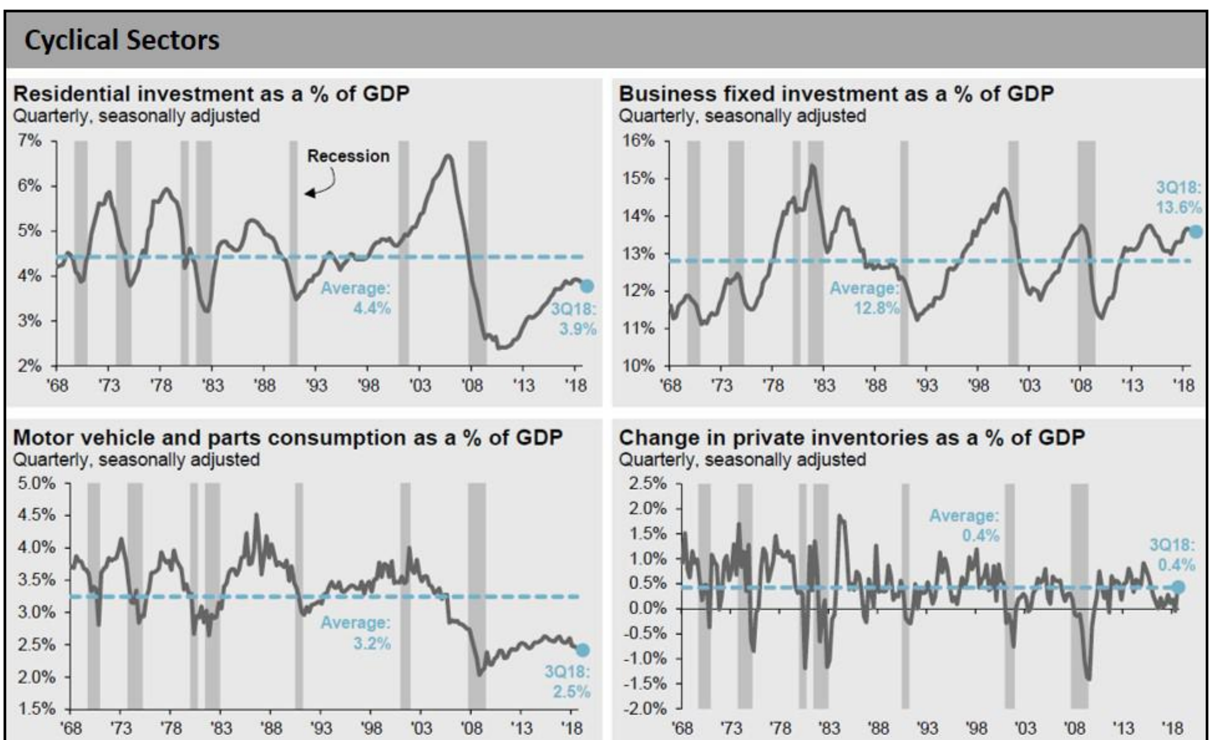
The returns on this page represent returns of indices and do not represent the results of any model or actual performance results derived from SIA, Inc. services. SIA, Inc. does not manage models or actual accounts, except for those clients who have elected to use SIA, Inc.'s management by entering into a separate service agreement with the firm.

Source: Fidelity Investments/Morningstar

Fixed Income & Bonds	Large Cap Value	Mid Value	Large Cap Blend	Large Cap Growth	Small Cap Value	Mid Cap Blend	Mid Growth	Small Cap Blend	International	Small Cap Growth	Real Estate	Natural Resources

Lower Volatility — Higher Volatility

Cyclical Sectors: Housing starts are currently not in a bubble at 1.256 million as of 11/30/18, having averaged 1.291 million per year for the past 20 years and peaking at 2.2 million in the bubble year of 2006. Light vehicle sales are slightly above average at 17.4 million as of 11/30/18, compared to an average of 15.7 million for the past 20 years.



Source: BEA, FactSet, JPMorgan Asset Management. Guide to the Markets – U.S. Data as of 12/31/18.

Spectrum Investor® Historical Analysis

25 ANNUAL RETURNS for key indices (1994-2018) ranked in order of performance (Best to Worst)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
BEST	International 7.78%	Large Cap Growth 38.13%	Real Estate 37.05%	Large Cap Growth 36.53%	Large Cap Growth 42.16%	Small Cap Growth 43.09%	Real Estate 31.04%	Small Cap Value 14.02%	Int.-Term Bonds 10.25%	Small Cap Growth 48.54%	Real Estate 33.16%	Natural Resources 36.61%
	Large Cap Growth 3.13%	Large Cap Blend 37.58%	Large Cap Growth 23.97%	Large Cap Blend 33.36%	Large Cap Blend 28.58%	Large Cap Growth 28.25%	Small Cap Value 22.83%	Real Estate 12.35%	Real Estate 3.58%	Small Cap Blend 47.25%	Natural Resources 24.59%	Real Estate 13.82%
	Real Estate 2.66%	Large Cap Value 36.99%	Large Cap Blend 22.96%	Mid Cap Blend 32.25%	International 20.00%	Natural Resources 27.23%	Mid Cap Blend 17.51%	Int.-Term Bonds 8.44%	Small Cap Value -11.43%	Small Cap Value 46.03%	Small Cap Value 22.25%	International 13.54%
	Large Cap Blend 1.32%	Small Cap Growth 31.04%	Large Cap Value 22.00%	Small Cap Value 31.78%	Mid Cap Blend 19.12%	International 26.97%	Natural Resources 15.79%	Small Cap Blend 2.49%	Natural Resources -12.99%	International 38.59%	International 20.25%	Mid Cap Blend 12.56%
	Large Cap Value -0.64%	Mid Cap Blend 30.93%	Small Cap Value 21.37%	Large Cap Value 29.98%	Large Cap Value 14.67%	Small Cap Blend 21.26%	Int.-Term Bonds 11.63%	Mid Cap Blend -0.61%	Mid Cap Blend -14.53%	Real Estate 36.18%	Small Cap Blend 18.33%	Large Cap Value 6.33%
	Small Cap Value -1.54%	Small Cap Blend 28.45%	Mid Cap Blend 19.25%	Small Cap Blend 22.36%	Int.-Term Bonds 8.69%	Large Cap Blend 21.04%	Large Cap Value 6.08%	Small Cap Growth -9.23%	International -15.94%	Mid Cap Blend 35.62%	Mid Cap Blend 16.48%	Large Cap Blend 4.91%
	Small Cap Blend -1.82%	Small Cap Value 25.75%	Small Cap Blend 16.49%	Real Estate 19.66%	Small Cap Growth 1.23%	Mid Cap Blend 14.72%	Small Cap Blend -3.02%	Large Cap Value -11.71%	Small Cap Blend -20.48%	Natural Resources 34.40%	Large Cap Value 15.71%	Small Cap Value 4.71%
	Small Cap Growth -2.43%	Int.-Term Bonds 18.47%	Small Cap Growth 11.26%	Natural Resources 16.94%	Small Cap Blend -2.55%	Large Cap Value 12.72%	Large Cap Blend -9.10%	Large Cap Blend -11.89%	Large Cap Value -20.85%	Large Cap Value 31.79%	Small Cap Growth 14.31%	Small Cap Blend 4.55%
	Int.-Term Bonds -2.92%	Real Estate 12.24%	International 6.05%	Small Cap Growth 12.95%	Small Cap Value -6.45%	Int.-Term Bonds -0.82%	International -14.17%	Large Cap Growth -12.73%	Large Cap Blend -22.10%	Large Cap Blend 28.68%	Large Cap Blend 10.88%	Small Cap Growth 4.15%
WORST	Mid Cap Blend -3.56%	International 11.21%	Int.-Term Bonds 3.63%	Int.-Term Bonds 9.65%	Natural Resources -14.19%	Small Cap Value -1.49%	Large Cap Growth -22.08%	Natural Resources -15.59%	Large Cap Growth -23.59%	Large Cap Growth 25.66%	Large Cap Growth 6.13%	Large Cap Growth 3.46%
				International 1.78%	Real Estate -17.01%	Real Estate -2.58%	Small Cap Growth -22.43%	International -21.44%	Small Cap Growth -30.26%	Int.-Term Bonds 4.10%	Int.-Term Bonds 4.34%	Int.-Term Bonds 2.43%

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
BEST	Real Estate 35.97%	Natural Resources 34.44%	Int.-Term Bonds 5.24%	Natural Resources 37.54%	Small Cap Growth 29.03%	Real Estate 9.37%	Small Cap Value 18.05%	Small Cap Growth 43.30%	Real Estate 32.00%	Large Cap Growth 5.52%	Small Cap Value 31.74%	Large Cap Growth 27.44%	Int.-Term Bonds 0.01%
	International 26.34%	International 11.17%	Small Cap Value -28.92%	Mid Cap Blend 37.38%	Real Estate 28.07%	Int.-Term Bonds 7.84%	Mid Cap Blend 17.88%	Small Cap Blend 38.82%	Large Cap Growth 14.89%	Real Estate 4.48%	Natural Resources 30.87%	International 25.03%	Large Cap Growth -0.01%
	Small Cap Value 23.48%	Large Cap Growth 9.13%	Small Cap Blend -33.79%	Small Cap Growth 34.47%	Small Cap Blend 26.85%	Large Cap Growth 4.65%	Large Cap Value 17.68%	Small Cap Value 34.52%	Large Cap Blend 13.69%	Large Cap Blend 1.38%	Small Cap Blend 21.31%	Small Cap Growth 22.47%	Real Estate -4.22%
	Large Cap Value 20.80%	Mid Cap Blend 7.98%	Large Cap Growth -34.92%	International 31.78%	Mid Cap Blend 26.64%	Large Cap Blend 2.11%	International 17.32%	Mid Cap Blend 33.50%	Large Cap Value 12.36%	Int.-Term Bonds 0.55%	Mid Cap Blend 20.74%	Large Cap Blend 21.83%	Large Cap Blend -4.38%
	Small Cap Blend 18.37%	Small Cap Growth 7.05%	Mid Cap Blend -36.23%	Large Cap Growth 31.57%	Small Cap Value 24.50%	Large Cap Value -0.48%	Real Estate 17.12%	Large Cap Growth 32.75%	Mid Cap Blend 9.77%	International -0.81%	Large Cap Value 17.40%	Mid Cap Blend 16.24%	Large Cap Value -8.95%
	Natural Resources 16.85%	Int.-Term Bonds 6.97%	Large Cap Blend -37.00%	Real Estate 28.46%	Natural Resources 23.88%	Mid Cap Blend -1.73%	Small Cap Blend 16.35%	Large Cap Blend 32.39%	Int.-Term Bonds 5.97%	Small Cap Growth -1.38%	Large Cap Blend 11.96%	Large Cap Value 15.36%	Small Cap Growth -9.31%
	Large Cap Blend 15.79%	Large Cap Blend 5.49%	Small Cap Growth -38.54%	Small Cap Blend 27.17%	Large Cap Value 15.10%	Small Cap Growth -2.91%	Large Cap Blend 16.00%	Large Cap Value 31.99%	Small Cap Growth 5.60%	Mid Cap Blend -2.18%	Small Cap Growth 11.32%	Small Cap Blend 14.65%	Small Cap Blend -11.01%
	Small Cap Growth 13.35%	Large Cap Value 1.99%	Real Estate -39.20%	Large Cap Blend 26.46%	Large Cap Blend 15.06%	Small Cap Blend -4.18%	Large Cap Growth 14.61%	International 22.78%	Small Cap Blend 4.89%	Large Cap Value -3.13%	Large Cap Growth 6.89%	Small Cap Value 7.84%	Mid Cap Blend -11.08%
	Large Cap Growth 11.01%	Small Cap Blend -1.57%	Large Cap Value -39.22%	Large Cap Value 21.18%	Large Cap Growth 15.05%	Small Cap Value -5.50%	Small Cap Growth 14.59%	Natural Resources 16.49%	Small Cap Value 4.22%	Small Cap Blend -4.41%	Real Estate 6.68%	Real Estate 3.76%	Small Cap Value -12.86%
WORST	Mid Cap Blend 10.32%	Small Cap Value -9.78%	Natural Resources -42.55%	Small Cap Value 20.58%	International 7.75%	Natural Resources -7.35%	Int.-Term Bonds 4.21%	Real Estate 1.22%	International -4.90%	Small Cap Value -7.47%	Int.-Term Bonds 2.65%	Int.-Term Bonds 3.54%	International -13.79%
	Int.-Term Bonds 4.33%	Real Estate -17.56%	International -43.38%	Int.-Term Bonds 5.93%	Int.-Term Bonds 6.54%	International -12.14%	Natural Resources 2.20%	Int.-Term Bonds -2.02%	Natural Resources -9.77%	Natural Resources -24.28%	International 1.00%	Natural Resources 1.23%	Natural Resources -21.07%

Currency Impact of USD on International Equity Returns

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
USD	▼	▼	▲	▲	▼	▲	▲	▲	▼	▼	▼	▲	▼	▼	▲	▼	▼	▼	▼	▲	▲	▲	▲	▼	▲
Imp.	9.8%	1.7%	-5.3%	-11.7%	7.7%	-6.5%	-6.8%	-5.2%	10.1%	18.3%	7.6%	-15.5%	9.9%	7.6%	-3.1%	7.1%	2.9%	0.01%	0.01%	-4.2%	-10.8%	-6.1%	-4.3%	9.8%	-2.8%

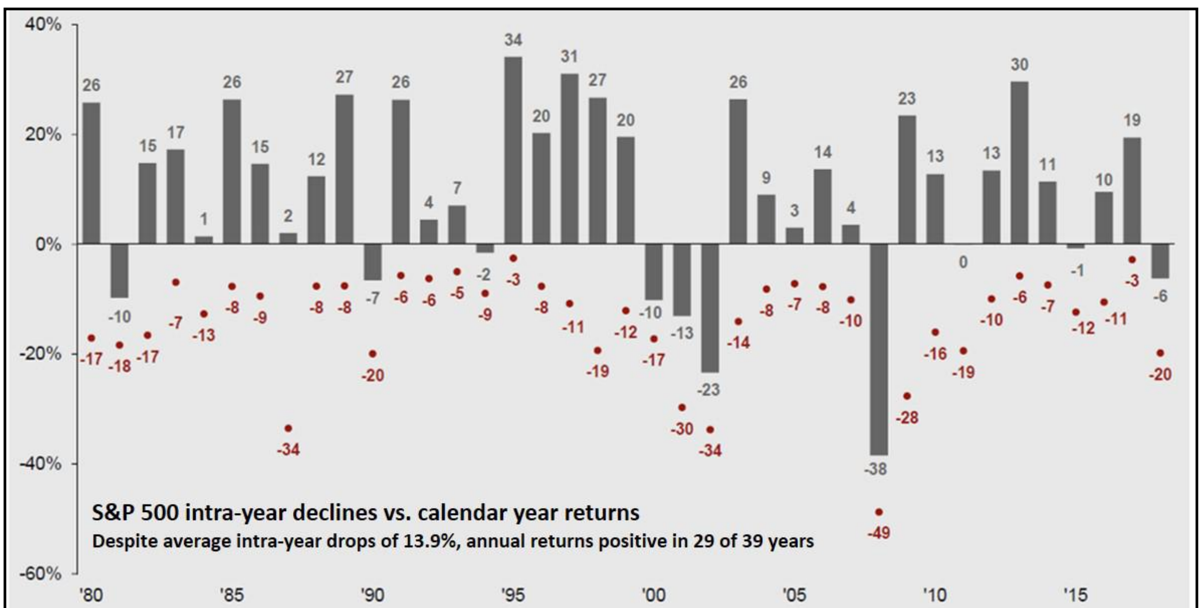
Source: Morningstar. The impact of the US Dollar on international returns is calculated by subtracting the annual return of the MSCI EAFE in local currency from the return of the MSCI EAFE in US Dollars. **When the US dollar *weakens* vs other currencies (red arrows), currency changes *add* to international equity returns (positive percentages) When the US dollar *strengthens* vs other currencies (green arrows), currency changes *subtract* from international equity returns (negative percentages)**

Investment Style	Intermediate-Term Bonds	Large Cap Value	Large Cap Blend	Large Cap Growth	Mid Cap Blend	Small Cap Value	Small Cap Blend	Small Cap Growth	International	Real Estate	Natural Resources
Representative Index	Barclays US Agg Bond Index	S&P 500 Value Index	S&P 500 Index	S&P 500 Growth Index	S&P MidCap 400 Index	Russell 2000 Value Index	Russell 2000 Index	Russell 2000 Growth Index	MSCI EAFE NR Index	DJ US Select REIT Index	S&P North American Natural Resources
Correlation to S&P*	-0.06	0.98	-	0.97	0.93	0.89	0.90	0.88	0.87	0.70	0.74

Past Performance is not necessarily an indication of future results. You cannot invest directly in an index. Source Fidelity Investments/Morningstar

***Correlation is based on the past 120 monthly returns from 1-1-09 to 12-31-18 and provides a measurement of diversification by indicating whether or not two different investments have moved in the same direction in the past.**
A correlation of 1.0 means the returns move in the same direction. A correlation of -1.0 indicates the returns move in opposite directions. A correlation of 0.0 suggests that the investment returns of two different investments are completely independent of one another.

The returns on this page represent returns of indices and do not represent the results of any model or actual performance results derived from SIA, Inc. services.
SIA, Inc. does not manage models or actual accounts, except for those clients who have elected to use SIA, Incs.'s management by entering into a separate service agreement with the firm.



Source: FactSet, Standard & Poor's, JP Morgan Asset Management. Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2018, over which time period the average return was 8.4%. Guide to the Markets - U.S. Data as of 12/31/18.

Historical Analysis:
The year 2018 ended with bonds on top as the winning investment style (aqua), finishing at 0.01%. The last time the winning investment style finished that low was 1931. Historically, last year's losers are often next year's winners, i.e. Small Cap Value (orange), a reason to stay diversified.

Annual Returns and Intra-Year Declines:
Even though the average intra-year drop (red) is 13.8%, the annual returns have been positive 29 of 39 years, or 74.3% of the time. Studying this chart helps to make the average investor less emotional about investing.

Spectrum Wealth Management

Recovering from 2018

Brian White, CFP® | Wealth Manager

Happy New Year! As you wish 2018 farewell, perhaps you're looking forward to the possibilities that 2019 brings. If you're looking at your year-end investment statements, that's most certainly the case. Over the last 90 years, the S&P 500 has had positive annual returns 74% of the time. 2018 was one of the years where we did NOT have a positive annual return. In the United States, approximately 10,000 people turn 65 each day. Many of those people are retiring with increased market volatility. If you're one of those people retiring and worried about the state of your financial plan, you have some choices. As usual, those choices boil down to right and wrong.

Investments

Wrong Choice: Go to cash and stop adding to your retirement accounts.

Right Choice: Stay the course, consider a Roth conversion.

Market volatility can often lead investors to sell at the bottom. Rather than the "buy low, sell high" approach, individual investors often find themselves going to cash at or near the market bottom. Another way these investors try to avoid volatility is to stop contributions to their retirement or investment accounts. We often hear, "I just can't take the losses!" As market values have dropped and individual income tax rates may be lower for the 2018 tax year, consider converting some of your Traditional IRA assets to a Roth IRA. A conversion now will provide benefits for the future, especially if you're looking to pass on your wealth to the next generation. Investments grow tax-free, rather than tax-deferred. There are many factors to consider when converting assets to a Roth IRA. Primarily, do you have enough cash on hand to pay the resulting conversion tax? We strongly suggest that you consult a tax advisor prior to a Roth conversion to make sure you have taken everything into consideration.

Financial Planning

Wrong Choice: Throw out your financial plan.

Right Choice: Review your financial plan.

While it's easy to panic and think about the worst possible situation, this shouldn't change your plans for the future. Use this as an opportunity to review your entire picture:

Is your estate plan in order? If you have used an estate planning attorney to draw up a will, trust or powers of attorney, think about a review. If you haven't met with your attorney in the last five years, it's time. Laws have changed and chances are that your situation has too.

Is your budget up to date? If you're not currently tracking what you spend versus your income, this is a good time to start. There are many free programs online like Mint.com that can help with this. We find that individuals who track their spending are much more likely to be successful in saving for their retirement. Think about the other areas of your future as well. This can include saving for education costs, planning for Social Security and Medicare, as well as life or long-term care insurance needs.

Behavior

Wrong Choice: Worry about monthly statements and react to the news.

Right Choice: Turn off the TV, be productive.

Negative news sells. Just as the news stories about plane crashes create a fear of flying, the seemingly constant negative news about the stock market creates a fear of investing. A recent headline from NBC News: "Dow drops 653 points in worst Christmas Eve trading day ever." The article painted a pretty bleak picture as we headed into the Holidays. It doesn't mention anything about buying opportunities with the 2.9% drop. There's no reminder of the nine previous years where the S&P 500 index provided positive annual returns.

At Spectrum, we are big believers in studying history so that you can be a better investor. Watching and reading negative news stories won't make you a better investor; it will only make you a more nervous investor. As the market volatility increases, take a break from the constant news and information we have access to. It may not be golfing weather right now (or skiing, for that matter), but a quick walk or a good book would be a favorable alternative to another story about the stock market woes.

IRS Indexed Limits for 2019:

401(k), 403(b), 457 Plan Deferral Limit is $19,000.

Catch-up Contribution limit is $6,000. Source: www.irs.gov

Spectrum Investor® Update

Morningstar Category Averages	4th Qtr	1 Year	3 Year
Intermediate-Term Bond	**0.86%**	**-0.50%**	**2.15%**
Allocation 50%-70% Equity	-8.66%	-5.79%	4.71%
Large Cap Value	-12.49%	-8.53%	6.85%
Large Cap Blend	-13.53%	-6.26%	7.67%
Large Cap Growth	-15.42%	-2.07%	**8.99%**
Mid Cap Value	-15.69%	-12.80%	5.42%
Mid Cap Blend	-16.20%	-11.16%	5.53%
Mid Cap Growth	-17.54%	-6.59%	7.29%
Small Cap Value	-19.20%	-15.43%	5.10%
Small Cap Blend	-19.32%	-12.66%	5.94%
Small Cap Growth	**-20.87%**	-5.81%	8.46%
Foreign Large Blend	-12.65%	-14.58%	2.64%
Real Estate	-7.18%	-5.96%	2.47%
Natural Resources	-17.87%	**-19.01%**	6.20%

Source: Morningstar, 3 yr return is annualized. Morningstar classifies categories by underlying holdings and then calculates the average performance of the category. Past performance is not an indication of future results. Returns in **Blue** = Best, Returns in **Red** = Worst. Please see Benchmark Disclosures below.

DOW: 23,327 **10 Yr T-Note: 2.69%**

NASDAQ: 6,635 **Inflation Rate: 1.9%**

S&P 500: 2,507 **Unemployment Rate: 3.9%**

Barrel of Oil: $45.41 Source: Yahoo Finance, bls.gov, eia.gov

Data as of 12/31/18 unless otherwise noted. The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries and widely held by individuals and institutional investors. The S&P 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market. Barrel of Oil: West Texas Intermediate. Inflation Rate: CPI. The market value, the last sale price multiplied by total shares outstanding, is calculated throughout the trading day, and is related to the total value of the Index. Indices cannot be invested into directly.

To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly.

Benchmark Disclosures: Morningstar Category Averages: *Morningstar classifies mutual funds into peer groups based on their holdings. The Category Average calculates the average return of mutual funds that fall within the category during the given time period. The following indexes and their definitions provide an approximate description of the type of investments held by mutual funds in each respective Morningstar Category. One cannot invest directly in an index or category average.* ***Large Cap Growth: S&P 500 Growth Index****–Measures the performance of growth stocks drawn from the S&P 500 index by dividing it into growth and value segments by using three factors: sales growth, the ratio of earnings change to price and momentum.* ***Intermediate-Term Bonds: Barclays US Agg Bond Index****–Measures the performance of investment grade, US dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS, ABS and CMBS.* ***Large Cap Blend: S&P 500 Index****–A market capitalization-weighted index composed of the 500 most widely held stocks whose assets and/or revenue are based in the US.* ***Large Cap Value: S&P 500 Value Index****–Measures the performance of value stocks of the S&P 500 index by dividing into growth and value segments by using three factors: sales growth, the ratio of earnings change to price and momentum.* ***Mid Cap Value/Mid Cap Growth: S&P MidCap 400 Index****–A market cap weighted index that covers the complete market cap for the S&P 400 Index. All S&P 400 index stocks are represented in both and/or each Growth and Value index.* ***Mid Cap Blend: S&P MidCap 400 Index****–Measures the performance of mid-sized US companies, reflecting the distinctive risk and return characteristics of this market segment.* ***Small Cap Blend: Russell 2000 Index****–Measures the performance of the small-cap segment of the US equity universe. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.* ***Small Cap Value: Russell 2000 Value Index****–Measures the performance of small-cap value segment of Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.* ***Small Cap Growth: Russell 2000 Growth Index****–Measures the performance of small-cap growth segment of Russell 2000 companies with higher price-to-value ratios and higher forecasted growth values.* ***Foreign Large Cap Blend: MSCI EAFE NR Index****–This Europe, Australasia, and Far East index is a market-capitalization-weighted index of 21 non-US, developed country indexes.* ***Real Estate: DJ US Select REIT Index****–Measures the performance of publicly traded real estate trusts (REITs) and REIT-like securities to serve as proxy for direct real estate investment.* ***Natural Resources: S&P North American Natural Resources Index****– Measures the performance of US traded securities classified by the Global Industry Classification Standard (GICS) as energy and materials excluding the chemicals industry and steel but including energy companies, forestry services, producers of pulp and paper and plantations.*