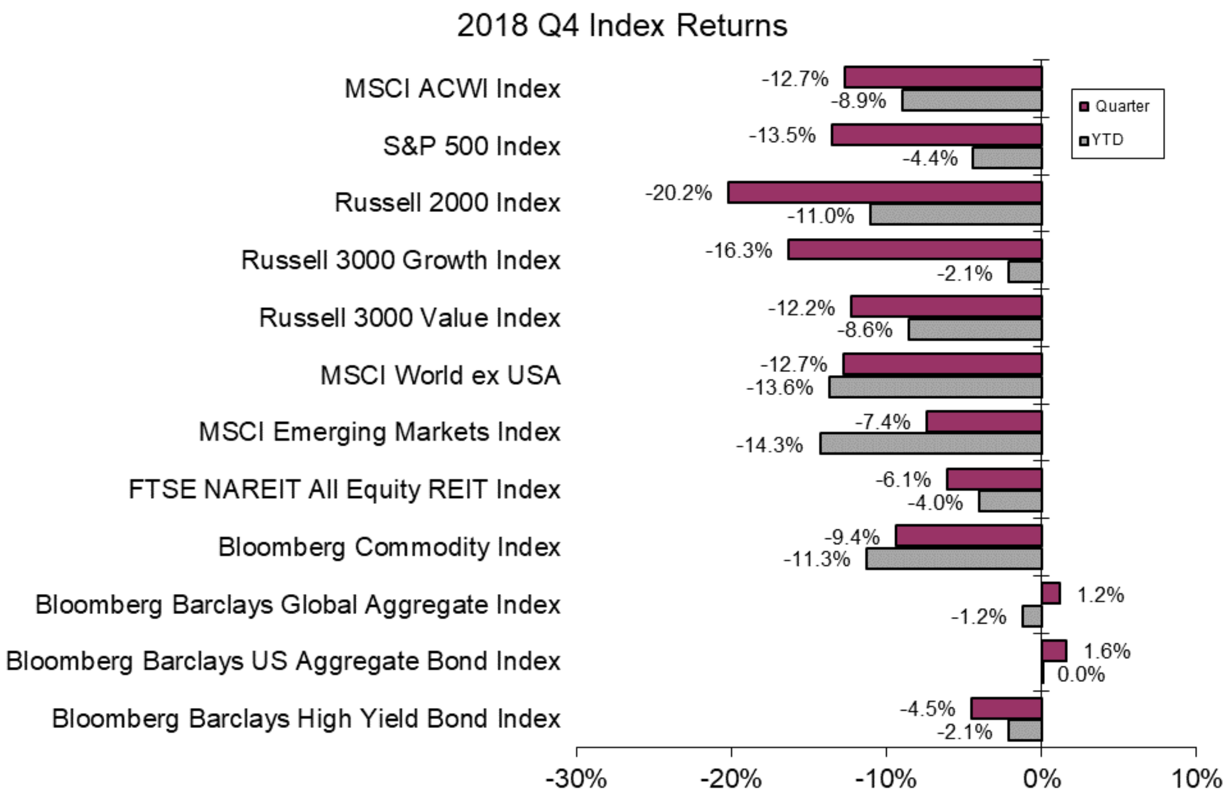
Kadi F. Hinz, MSFA
Financial Planner*
3550 Liberty Rd S Ste 230
Salem, OR 97302

503-566-7266 ext.1111
503-566-7446 Fax
kadi@wfgadvisors.com

Feb 6, 2019

Dear Clients,

The fourth quarter of 2018 erased all gains and then some for the year for a negative return in almost all asset classes. Could this be the end of the 9 year bull market or just a return to more normal volatility? It is not clear that the longer-term bull market is finished. The US economy continues to expand, consumer confidence is quite high, corporate earnings are still up and unemployment is at historically low rates.[1]



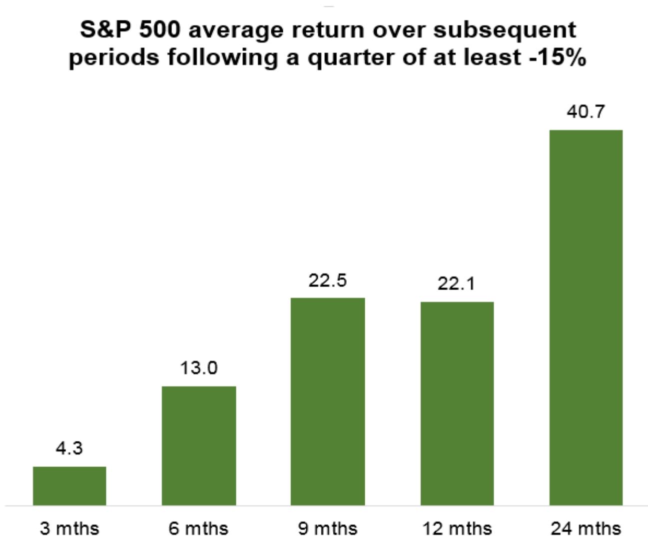
Earnings Drive the Market, Not Politics

There is no shortage of news in the US that individually or cumulatively may saddle investors with pessimism. A partial government shutdown, policy uncertainty, fears that the Fed is tightening the money supply too quickly, potential trade war with China or the escalation of contention in Washington DC. But remember that markets are driven by corporate earnings and even though the growth rate of earnings is indeed slowing, they are still growing.

1. Source: AssetMark

Diversification

A change in market dynamics is likely to be accompanied by a change in market leadership. What has done well in the past may very well struggle in the period ahead. The diversification message is sometimes dismissed by investors in periods such as 2018 when every major asset class has suffered a negative return. But the reality is that sometimes the benefit of diversification is holding asset classes or strategies that lost less than investors would have experienced in an all large-cap US equity portfolio. Select international stock markets may finally outperform US stocks as the headwind of a strengthening dollar weakens. Investors should also keep in mind that the market correction they've just experienced (a negative 19.3% return from the market's high point in September through its low on December 24th) is disorienting but not extraordinary. Market drops of between 15 – 20% occur roughly once every three years on average. But the average return over subsequent periods following a quarter of at least -15% speak for themselves.[2]



PERS Corner

We will continue to monitor the Oregon legislature for any news on Oregon PERS. It is unclear if any changes for PERS will be coming due to the Democrats blue wave election results on Nov 6th. But the down market in 2018 will put additional pressure on the unfunded liability and any tax increase will probably be used to pay down the pension deficit, not to buy anything new. There is already talk of the legislature changing the budget to kill the 2019 "kicker" rebate.

Thank you for the trust you have placed in us and we will continue to work hard to navigate the challenges and opportunities on your behalf. We look forward to discussing your evolving financial goals, as well as reviewing the mixture of asset allocation approaches within your portfolio, as we seek to keep your investment plan aligned with your needs.

Sincerely,

Kadi

Kadi F Hinz
Financial Planner*, MSFA

2. Source: Ned Davis Research