



First Quarter 2019 Review

Dear Clients:

RISK ON! For the first quarter, U.S. stocks appreciated 16.0%, world stocks 14.4%, and US Bonds 2.5%*.

“Risk On” is a cool thing we like to say when the markets go up and much of the outperformance comes from riskier assets. As opposed to “Risk Off,” which we experienced in the 4th quarter. In general, your portfolios did quite well this quarter, most capturing 85 to 90% of their blended benchmark returns. As you know, we attempt to balance current returns with future expectations.

Chief Allocation Strategist Steve Bobo remarked to me a few weeks ago that he dislikes rising markets and feels much more comfortable when assets are getting less expensive. One thing we both agree on is that our list of worries from a year ago is much the same: global debt, the trade war with China, slowing growth in the US and abroad. Rising debt is destabilizing and worrisome, but an unraveling doesn’t appear imminent. And the trade war seems less dire. We still expect some trade deal to emerge between China and the US – not anything too substantive, but something that the president can share with his base, trumpet a victory, and cancel the tariffs.

Steve remarked today that trends often continue for much longer than you think they will or should. So we caution our clients from trying to time the markets. Much better to maintain a conservative portfolio that might give up some of the

*As represented by the S&P 500 US Large Company Index, the All Country World Index, and the Barclays Aggregate Bond Index.

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gains when markets rise, but which is expected to lose less than the markets when they decline. We have done this by adding active management to offset the passive overweight to technology growth stocks, incorporating high quality investments, purchasing international stocks when the dollar is strengthening relative to other currencies, and maintaining the hedge that bonds provide even in this low interest rate environment.

We thank you for your confidence, and we will get you to your goals with assets intact. Please contact us with questions. Our money continues to be invested alongside yours.

Sincerely,

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