Ridley Cove Financial Advisors LLC

Fourth Quarter 2018 Review

Dear Clients:

2018 reminded us that markets don't always go up. U.S. stocks declined 4.4%, world stocks 9.4%, and U.S. bonds were unchanged.*

Rising borrowing costs, a partial government shutdown, slowing international growth, troubles in technology and erratic presidential proclamations (trade war, the Federal Reserve, Syrian troop withdrawals) have increasingly caused investors to question if the bull market will continue.

But the jobs report on Friday provided evidence that the US economy is still healthy and possibly getting healthier as new jobs surged and the labor market participation rate finally rose.

Chief Allocation Strategist Steve Bobo and I believe that fundamentals are strong and that investors frequently overreact. However, there is a chance of a doom loop: sustained pessimism resulting in a self-fulfilling prophesy.

As always, we consider multiple scenarios and aspire to make modest adjustments to moderate risk and maximize returns. Steve grew concerned with the outsize influence of growth technology stocks 18 months ago, and we added a high quality allocation which has held up significantly better than the US stock market.

Most recently, we undertook a search for and successfully identified a high quality fund and an actively managed fund for our international holdings. This allowed us to harvest valuable losses in your taxable accounts that can be used to offset current and future taxes.

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

We know it is unnerving to experience declining markets, but our disciplined methodology will get you to your goals with assets intact. Please contact us with questions. Our money continues to be invested alongside yours.

Sincerely,

John H. Biebel, J.D., CFP®
Chief Client Advisor
617-791-3811
jbiebel@ridleycove.com