

1ST QUARTER 2019 - ADVISORY COMMENTARY

THE NEW YEAR BEGAN BY GIVING INVESTORS ONE OF THE MOST IMPRESSIVE MARKET REVERSALS EVER SEEN, AS THE UNITED STATES' ECONOMIC DATA CONTINUED TO HOLD UP MUCH BETTER THAN THE REST OF THE WORLD. ALONGSIDE THIS RELATIVE STRENGTH, WE ARE SEEING SOME TAILING-OFF OF CERTAIN INDICATORS, INCLUDING CONSUMER SENTIMENT, MANUFACTURING INDEXES AND SHIPPING VOLUMES. HOMES SALES AND REFINANCING ACTIVITY HAVE BEEN GIVEN AN UNEXPECTED GIFT BY THE RAPID DROP IN INTEREST RATES OVER THE LAST SEVERAL MONTHS.

CHINA BEGAN 2019 BY THROWING THE PROVERBIAL "KITCHEN SINK" AT THEIR ECONOMY. THEIR GOVERNMENT HAS PUSHED A DRAMATIC AMOUNT OF STIMULUS (MEANING DEBT AND PRINTED MONEY) INTO THEIR ECONOMY. WE HAVE SEEN LITTLE MOVEMENT TOWARDS A U.S.-CHINA TRADE DEAL AND THE DESPERATION OF THE CHINESE IS BEGINNING TO SHOW. TIME WILL TELL IF THIS PLOY WILL BE SUCCESSFUL OVER THE LONG RUN, BUT FOR NOW THE SUGAR RUSH BEING EMPLOYED IS BOOSTING CHINA'S FINANCIAL SECTOR, EVEN WHILE THEIR CONSUMER SECTOR IS STILL FLAILING.

THE U.S. ECONOMY SEEMS TO BE TRANSITIONING INTO A PERIOD OF SLOWING GROWTH AND INCREASING INFLATION. THIS MAY SEEM TO BE A BIT OF AN OXYMORON, BUT A UNIQUE SET OF ECONOMIC CIRCUMSTANCES SEEMS TO BE DEVELOPING. FIRST, EMPLOYMENT WAGES ARE STEADILY PUSHING UPWARDS FOR THE FIRST TIME IN ABOUT TEN YEARS. THIS, ALONG WITH VERY DIFFICULT YEAR OVER YEAR COMPARISONS, IS CRIMPING EARNINGS GROWTH AMONG U.S. COMPANIES. SECOND, THE FEDERAL RESERVE HAS SWITCHED ITS COURSE ON RAISING INTEREST RATES AND IS NOW FORECASTING NO MORE RATE INCREASES FOR 9-12 MONTHS. THEY ARE ALSO PULLING BACK ON REDUCING THEIR BALANCE SHEET BACK TO NON-EMERGENCY "PRE-2008" LEVELS.

THIS UNIQUE SET OF CIRCUMSTANCES HAS CAUSED US TO RE-EXAMINE OUR ASSET ALLOCATIONS AS WE POSITION FOR THIS TYPE OF ENVIRONMENT HEADING INTO THE REST OF THE YEAR. IN ADDITION TO OUR CORE LARGE CAP EQUITY ALLOCATIONS, WE'VE ADDED UTILITIES, ENERGY COMPANIES, GOLD & GOLD MINERS AND LONG-TERM TREASURY BONDS TO OUR MODEL PORTFOLIOS. AT THE SAME TIME, WE'RE AVOIDING EUROPEAN STOCKS, BANKS, JUNK BONDS AND OVER-LEVERED SMALL CAP COMPANIES.

IT SHOULD BE A VERY INTERESTING YEAR IF THE ECONOMIC SITUATION CONTINUES TO DEVELOP IN THE CURRENT DIRECTION.

SINCERELY,



BRIAN WECKMAN
CHIEF INVESTMENT OFFICER
ACTIS WEALTH MANAGEMENT L.C.



1ST QUARTER 2019 - MARKET UPDATE

EQUITY MARKETS

- S&P 500 INDEX TR **+13.65%**
- DOW JONES INDUSTRIAL AVERAGE TR **+11.81%**
- NASDAQ COMPOSITE INDEX **+16.49%**
- RUSSELL 3000 INDEX TR **+14.04%**
- CBOE SPX MARKET VOLATILITY INDEX **-46.07%**

FIXED INCOME MARKETS

- BARCLAYS U.S. AGGREGATE BOND INDEX **+2.94%**
- BARCLAYS U.S. TREASURY 5-7 YEAR INDEX **+2.17%**

ALTERNATIVE INVESTMENTS, COMMODITIES & CURRENCIES

- S&P GSCI TOTAL RETURN INDEX **+14.97%**
- GSCI WEST TEXAS INTERMEDIATE EXCESS RETURN **+29.91%**
- U.S. DOLLAR INDEX **+1.15%**
- GOLD SPOT **+1.28%**
- DOW JONES COMPOSITE REIT INDEX TR **+16.70%**
- CBOE BUYWRITE MONTHLY INDEX **+6.77%**

ANCHORED GROWTH BENCHMARK **+10.59%**

(70% RUSSELL 3000, 25% BARCLAYS U.S. AGGREGATE BOND INDEX, 5% CASH)

FOUNDATION TOTAL RETURN BENCHMARK **+8.26%**

(50% RUSSELL 3000, 40% BARCLAYS U.S. AGGREGATE BOND INDEX, 10% CASH)

INFLATION-PLUS INCOME BENCHMARK **+1.69%**

(40% BARCLAYS U.S. AGGREGATE BOND INDEX, 40% BARCLAYS U.S. TREASURY SHORT INDEX, 20% CASH)

*SOURCE: KWANTL.COM (4/9/19). INDEXES ARE UNMANAGED AND CANNOT BE INVESTED INTO DIRECTLY. UNMANAGED INDEX RETURNS DO NOT REFLECT FEES, EXPENSES, OR SALES CHARGES. INDEX PERFORMANCE IS NOT INDICATIVE OF THE PERFORMANCE OF ANY INVESTMENT. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.



THE OPINIONS VOICED IN THIS MATERIAL ARE FOR GENERAL INFORMATION ONLY AND ARE NOT INTENDED TO PROVIDE SPECIFIC ADVICE OR RECOMMENDATIONS FOR ANY INDIVIDUAL.

THE ECONOMIC FORECASTS MAY NOT DEVELOP AS PREDICTED AND THERE CAN BE NO GUARANTEE THAT STRATEGIES PROMOTED WILL BE SUCCESSFUL.

PRECIOUS METAL INVESTING INVOLVES GREATER FLUCTUATION AND POTENTIAL FOR LOSSES.

THERE IS NO GUARANTEE THAT A DIVERSIFIED PORTFOLIO WILL ENHANCE OVERALL RETURNS OR OUTPERFORM A NON-DIVERSIFIED PORTFOLIO. DIVERSIFICATION DOES NOT PROTECT AGAINST MARKET RISK.

STOCK INVESTING INVOLVES RISK INCLUDING LOSS OF PRINCIPLE.

The Standard & Poor's 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.

Dow Jones Industrial Average is the most widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue chip stocks, primarily industrials. The 30 stocks are chosen by the editors of the Wall Street Journal. The Dow is computed using a price-weighted indexing system, rather than the more common market cap-weighted indexing system.

The NASDAQ Global Market Composite consists of 1,450 stocks that meet NASDAQ's strict financial and liquidity requirements, and corporate governance standards. The Global Market Composite is less exclusive than the Global Select Market Composite.

The Russell 3000 Index is a market capitalization weighted equity index maintained by the Russell Investment Group that seeks to be a benchmark of the entire U.S. stock market. More specifically, this index encompasses the 3,000 largest U.S.-traded stocks, in which the underlying companies are all incorporated in the U.S.

The CBOE SPX Market Volatility Index shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options. This volatility is meant to be forward looking and is calculated from both calls and puts. The VIX is a widely used measure of market risk and is often referred to as the "investor fear gauge."

The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).

The Barclays US Treasury Bond Index measures the performance of U.S. Treasury securities that have a remaining maturity of at least seven years and less than 10 years.

The S&P GSCI is recognized as a leading measure of general price movements and inflation in the world economy. The index – representing market beta – is world-production weighted. It is designed to be investable by including the most liquid commodity futures, and provides diversification with low correlations to other asset classes.

The GSCI West Texas Intermediate Excess Return Index reflects the returns that are potentially available through an unleveraged investment in the West Texas Intermediate (WTI) crude oil futures contract plus the Treasury Bill rate of interest that could be earned on funds committed to the trading of the underlying contracts.

The U.S. Dollar Index is a measure of the value of the U.S. dollar relative to majority of its most significant trading partners. This index is similar to other trade-weighted indexes, which also use the exchange rates from the same major currencies.

Gold Spot refers to the price paid for current delivery of 1 ounce of physical gold.

The Dow Jones Composite REIT Index contains all publicly traded U.S. REITs in the S&P Dow Jones Indices U.S. stock universe that are classified into one of three subcategories—equity, mortgage or hybrid—as defined by the REIT/RESI Industry Classification Hierarchy.

The CBOE S&P 500 BuyWrite Index (BXM) is a benchmark index designed to track the performance of a hypothetical buy-write strategy on the S&P 500 Index.



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