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2019 Market Outlook: The 2nd Half

Presented by Arthur Lyons,
Chief Investment Officer

Our Mission

To be the premier provider of:

- Financial Planning
- Investment Management
- Trust Services

For the American Armed Forces Community

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Why Work With Us?

- Dedicated Relationship Manager
- Fiduciary duty- akin to doctors/lawyers
- Experienced team
- Competitive, simple fee structure

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Today’s Topics

- 1st Half Review of 2019
- Equity Outlook
- Fixed Income Outlook
- Asset Allocation
- Final Comments

1st Half Review

- Solid GDP Growth
- Low Inflation 2.1-2.3%
- Low Interest Rates
- Trade Issues

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Top Down Viewpoint

- Federal Reserve actions
- Government policies
- Economic indicators

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Equity Outlook

- Positive on mid/large cap U.S. equities
- 6-8% earnings growth estimate
- Performance variance in sectors and securities
- Small cap and int’l continue to lag

Equity Outlook

- Market modestly priced at 17.7x FPE
- YOY earnings growth shows modest increase (~6%)
- Most “unloved” bull market in history

Equity Positioning

- Good values still exist
- Listen to management guidance
- Watch operating margins and cash flow
- What is executive management doing?
- Look beyond 1-2 quarters

Equity Positioning cont’d

- Very favorable conditions for equity
- Emphasizing large cap U.S.
- Value and GARP areas

Bond Market Outlook

- Risk/Reward profile very negative
- High yield bond spreads historically low
- Slight rise in rates will damage investment returns
- Shorter duration protects principal
- Favor government debt over corporate debt

Asset Allocation for 2019

- Strategic allocation helps avoid market timing
- Tactical allocation can add value
- Currently use 3-way allocation
- Can add additional asset classes, if needed
- Examine expected returns and valuation
- Remaining with current level of allocations

Final Thoughts

- Don’t manage portfolios based on headline risk
- Manage risk; returns will take care of themselves
- Volatility is reduced over time
- Recessions have never happened when corporate earnings are positive

We Are Here To Help

Complimentary Portfolio Review

- Objective perspective
- Analyze risk/return performance and other potential risk factors
- Provide recent statement(s)
- Email: wealthmanagement@aafmaa.com

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