THE SUMMIT
Financial Strategies, Inc.

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CONFUSING QUARTER?

by Brett Langer

At times, being an investor can be frustrating. When all of the stars align and you feel as though returns should be good, volatility hits and returns trend sideways. One of the best attributes an investor can have is to be patient, disciplined, and unbiased in their thinking. Normally, market corrections or volatility means the market is trying to evaluate where things are at presently. Historically, the market does a horrible job at pricing in and predicting adversity that happens within the economy. Right now the market is trying to price in sharply higher interest rates, a large trade war set off by our president, and the argument being made that our economy is topping out so it must be time for a recession.

As investors and money managers, patience usually wins the day. Back in 2013, the market was up over 28% for the year. Even though there were some good things going on within the economy, in the following twelve to eighteen months the market trended sideways. The market struggled after those large returns and kept doubting that we could still grow. Next, there was the ebola outbreak in 2014. Analysts were selling the idea that this would infect much of the US and therefore hurt our economy. Russia was invading the Ukraine not long after we gave them a reset button. Yes, even back then we had issues with Russia. As we know now, it has paid off to be patient and not react to all the noise and commentary of how bad it can be in the world.

Back in 2013 we also had an interest rate scare. The Federal Reserve announced that they would no longer be deploying quantitative easing, which essentially meant they would not provide for more liquidity at the banks for lending. That summer, we watched as rates increased. At that time, we heard a lot of noise that bonds would lose money and it was time to get out. Concerns grew that the economy might not be able to grow if the Federal Reserve wasn't as supportive in propping it up. Once again, a lot of noise. Bonds made a comeback and yes the economy grew even more with less help from the Federal Reserve. That summer stocks struggled to come to grips with higher interest rates, but by the end of the year stocks finished up, with returns over 28%.

It's worth discussing the volatility created by a potential trade war that has been in the news over the past few months. First of all, I think we are always in a trade war. The European Union has always placed a 25% value added tax onto United States goods

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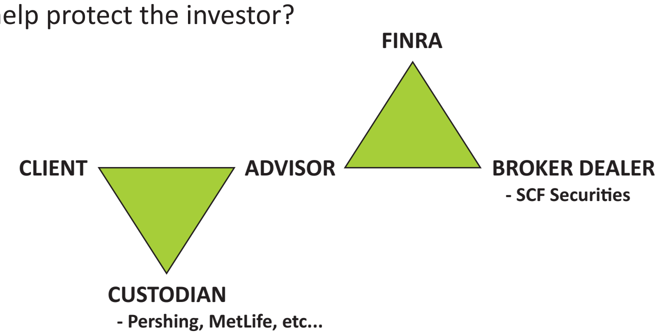
CUSTODIANS, BROKER DEALER (SCF), AND FINRA

by Brett Langer

Who are these organizations, what is their function within our industry and how do each of these components work together to help protect the investor?



Custodians: They keep your money in safe keeping. One of the dangers we have seen over the past decade is combining the Custodian function with Advisors and Broker Dealers. In our opinion, The Custodian should be separate from Advisors as well as Broker Dealers. The Custodian should be a third party, whose job it is to: Keep your funds in safe keeping, report to you all of your holdings, cost basis, and forward you your statements. For many of you, the Custodian is Pershing, Metlife, Brighthouse and several other fund companies. The Custodian also enables us, your Advisor, to make changes in your accounts as well as do certain administrative functions on your behalf.

Broker Dealers

SCF Securities is the Broker Dealer our office utilizes. For the Advisor – they help our office navigate through this compliance heavy industry. We chose to use a Broker Dealer to help us understand and implement regulations, which helps us better serve and protect our clients. Specifically, SCF Securities has taken a heavy burden off our plate in making sure that we stay compliant with Industry Standards. Without SCF Securities, our time and resources would be going towards attorney fees and hiring personnel in order to stay current. Instead, we are using SCF Securities to free up our time to do research and monitor your accounts.

FINRA

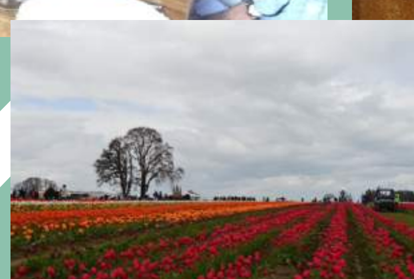
Financial Industry Regulatory Authority (www.finra.org) FINRA is an agency who has the duty to protect you, the client. They work at protecting investors by registering and educating all brokers, examining securities firms, writing the rules they must follow and enforcing those rules and federal securities laws.

THE SUMMIT FAMILY PICTURES

Bandettini Family 2018

Celebrating Langer and Boden Anniversaries

Mesquits at Trailblazers Game 2018



Bandettini Tulips 2018

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coming into their countries. China has placed 25% tariffs on US cars being sold in their country. A few years ago, China manipulated their currency so they could be more competitive. This in turn, caused stocks to drop 15% within a matter of a week or two. Today, that war hasn't changed; we are just seeing signs of posturing from leaders around the world. Recently, Trump announced $50 billion in steel tariffs. Comparing that amount with the total global economy, it's merely peanuts and is more symbolic than anything else. Recently, China announced that they would remove tariffs on U.S. cars sold there. Once again, the noise has become very loud with a lot of commentary stating how bad it's getting in the world. Maybe it will, but then all of a sudden we hear that world leaders are working on new trade agreements. Time will tell if the trade war spirals out of control or if we all come together and make trade better for everyone. Lastly, our own politics have a way of clouding our thinking. The problem in using our political beliefs in investment decisions, is that many times it leads to emotional decisions. In the past, we have been better off paying attention to real economic data, rather than the current commentary of the day. Look back to 1998 when Clinton was impeached by the House of Representatives for perjury and obstruction of justice. On October 1, 1998 the Dow Jones was at 8,592. By the end of 2000 the Dow ended at 10,787. Investors were better off focusing on economic data and remaining patient than worrying over the legal issues of political leaders and reacting accordingly with their investments.

First quarter company earnings are presently being announced, with new economic data coming in daily. So far it looks as though corporate earnings are increasing around 18% over this same period last year. The real Gross Domestic Product growth rate was increased from an estimate of 2% to 2.3%. Our real GDP is up 2.9% from a year ago. Many nay-sayers believe this represents a peak in our economy in this present cycle and is leading to the beginning of a bear market. While it is easy to make this statement and understand that all cycles come to an end, the actual data doesn't support this prediction. I do not expect company earnings to keep growing at 18%, nor would that be good long term. Up until last year, our economy never really grew to what historic recoveries have seen. Based on past recoveries, GDP would normally grow by 40% or more. Although this cycle has been very long, the growth up until now has been extremely shallow, growing by barely 25%. Our economic data shows higher incomes, greater business investments, and very sustainable building that is still in short supply. There is room left in this cycle for growth in the coming years, especially with business and consumer confidence levels that have not been seen in 15 years.

The main take away from this is that more than likely, the market will continue to worry over all of these issues. At The Summit Financial Strategies office we look at the leading indicators for actual change and not just the “noise”. It is probable that the economy will continue to grow by 2.8% to 3.25% in the next year or two. If this is the case, investments will eventually stop listening to the noise and start pricing in actual growth. Paying attention to real data and its momentum gives us confidence that, during times of market unrest, we can look at the probabilities of where the economy and investments are actually heading in the coming year. Patience is hard, but most of the time if we are correct in our analysis, it will pay off to ignore all the “voices” in the long term and just wait it out. Eventually, our economy will turn towards a recession, which is why we aim to be proactive and on the lookout for decelerating indicators. So, although we are expecting acceleration, we keep a close eye on all the data and market indicators for any signs of change.

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FAVORITE RECIPES

Strawberry Shortcake Lasagna
by Kim Langer

Ingredients
- 4 c. heavy cream
- 1/2 c. powdered sugar, plus more for dusting
- 2 tsp. pure vanilla extract
- 1 1/2 boxes of Nilla Wafers
- 1 lb. of Strawberries, thinly sliced

Instructions
1. In a large bowl using a hand mixer, beat heavy cream, powdered sugar and vanilla until medium peaks form.

2. Assemble lasagna: In a 9"-x-13" pan, spread a thin layer of whipped cream. Top with a layer of Nilla Wafers and spread a thick layer of whipped cream on top. Top with a layer of strawberries.

3. Repeat step 2 two times, ending with strawberries.

4. Sprinkle with crushed Nilla Wafers.

5. Refrigerate until Nilla Wafers are totally soft, 3 hours, or up to overnight.

6. Sprinkle with more powdered sugar, then slice and serve.

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