

Vanduren, Darla A.

From: Blake Howells <BHowells@beckerap.com>
Sent: Thursday, December 27, 2018 1:02 PM
To: Vanduren, Darla A.
Subject: We have Been Here Before

Dear Darla:

Through the close of business on December 24th, the S&P 500 was down almost 19% during the fourth quarter. Well over half of the stocks in the S&P 500 are in bear territory - down 20% or more from their 52 week highs.

The decline that began in mid-October accelerated on higher interest rates, concerns about the sustainability of the current economic expansion and geopolitical uncertainty. As we navigate these final trading days of the year, it is important to remember that volatility, while unpleasant in the moment, often generates opportunities. We have been fortunate to benefit from these opportunities throughout our history.

Even with the recent declines, the stock market is still up 250% from its 2009 lows. It took courage to have faith in proposed structural and monetary solutions to the challenges in 2008 and early 2009 and to remain an active participant in financial markets. Those investors who remained steadfast were well rewarded for their patience in the most challenging and uncertain of times.

The last ten years has witnessed the longest economic expansion on record, fueled by a wide range of policies designed to heal a wounded global economy. As 2018 draws to a close, the unemployment rate is at historic lows at 3.7%, inflation remains restrained at 2.2% and consumer confidence is strong. The combination of larger paychecks, more people employed and inexpensive fuel costs, made this December the best retail season in six years. In addition, last year's tax bill propelled the US Gross Domestic Product to its strongest levels since the mid-2000s. There have been few sustained bear markets without a coincident recession. Currently, there is little evidence that 2019 GDP growth will turn negative from the 3%-plus levels seen in the last several quarters.

In your portfolio, we continue to buy good companies at discounts to their intrinsic values. In the recent months, the market has discounted almost all stocks, many for no reason other than the general concerns noted above. The stock market does not like uncertainty, and until we have a better reading on these issues, continued volatility remains a distinct possibility.

Thank you for your continued confidence. After 40-plus years of investment management, we have been through these downdrafts before. Over the long run, patience and staying the course have served our clients well.

As always, please do not hesitate to call if you have any questions or concerns.

Blake Howells, CFA, CFP®
Chief Investment Officer

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