

# NOTES

# Relative Strength Series

January 23, 2018

A STRATEGY UPDATE FROM THE  
PORTFOLIO MANAGEMENT TEAM

4th Quarter 2017 Review

## The Relative Strength Series

### Description

The NewSquare Relative Strength Series is a suite of portfolios designed for growth-oriented investors – conservative, moderate, aggressive. A primary objective of each portfolio is to pivot between wealth accumulation (*offense*) and wealth preservation (*defense*) in a timely fashion. These portfolios are rules-based and designed to follow the strongest trends occurring in major asset classes and sectors.

These are multi asset class portfolios that dynamically “tilt” the allocation toward the strongest asset classes and sectors. Portfolio diversification is maintained within prescribed minimum and maximum allocation weightings. Within the guidelines of this methodology, NewSquare’s Relative Strength Portfolios seek to capture powerful long-term uptrends and to mitigate the impact of extended downtrends.

### Commentary

The 2017 calendar year exhibited one of the most uneventful years in stock market history. We make that observation for the following reason – the (tame) downside moves suffered in 2017. We saw only a couple in the S&P 500 Index this past year (specifically, a 3.28% pull

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### NewSquare Relative Strength Series

GLOBAL, MULTI-ASSET PORTFOLIOS  
RULES-BASED, RELATIVE STRENGTH ANALYSIS

RELATIVE STRENGTH Conservative  
RELATIVE STRENGTH Moderate  
RELATIVE STRENGTH Aggressive

**RELATIVE STRENGTH strategies can be ideal for long-term investors as they leave no room for emotional decision making and avoid feeding into panicked market selloffs.**

back in March, and a 2.95% pull back in August). Interestingly, that lack of downside volatility has never been seen before. So, if you didn't pay attention to the market on a daily basis, your portfolio probably performed well, depending on your investment allocation. However, if you found yourself caught up in the daily news cycle, it may have caused some investors to attempt to senselessly navigate the negative headlines published throughout the year. This may have forced you to wait for a drastic pullback that never materialized.

Let's take a snapshot of what happened in 2017. Simply put, US markets steadily trended higher. International equity markets performed much the same way. They showed similar downside moves, while performing better than most US stock indices in 2017.

How about Bonds? They drifted higher, too. In fact, all major asset classes traded positively, with the exception of certain subgroups. If you knew that before the start of the year, it would have been simple to hold onto your positions. However, if emotions and news stories caused you take your eye off the ball of your long-term plan, it may have been easy to get shaken out of your investments.

As we have highlighted in these updates in past quarters, the RELATIVE STRENGTH portfolios stick to a rules-based system regarding investment choices in an attempt to take advantage of longer-term trends.

*"Sticking to a decent investment approach has been shown to have incredible long term success. I recently heard about the Fidelity study where they realized that the investors with the best performance were the ones that forgot they had a Fidelity account! It's hard to deviate from an investment strategy when you don't know you have one. So find a strategy that you like and stick with it. Remember, there are many ways to win...if you follow the right rules"*

*(Source: Nick Maggiulli, "There Are Many Ways to Win").*

As of the end of the 4<sup>th</sup> Quarter of 2017, the Relative Strength portfolios were positioned as follows:

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<b>Relative Strength Conservative</b>	1% Cash /	40% Fixed Income /	59% Equity
<b>Relative Strength Moderate</b>	1% Cash /	20% Fixed Income /	79% Equity
<b>Relative Strength Aggressive</b>	1% Cash /	10% Fixed Income /	89% Equity

Our rules have continued to position us weighted towards equity markets. For now, the page has turned to a new calendar year, and the RELATIVE STRENGTH portfolios will continue to monitor the market and systematically adapt to any changes at the asset class and sector levels. 

NewSquare Capital, LLC is a U.S. registered investment advisor specializing in global asset allocation strategies. The firm manages the NewSquare Portfolios, a proprietary family of investment strategies implemented primarily with ETFs. The NewSquare Portfolios include the Strategic Series, Macro Series, Relative Strength Series, Income Series, and Focused Series of investment strategies. All client assets are independently custodied with National Financial Services, LLC or Charles Schwab.

All investing involves risk, including possible loss of principal. While diversification through an asset allocation strategy can help manage overall portfolio risk and volatility, it does not promise any level of performance or guarantee against loss of principal. All performance figures, including the comparative indexes, are total return figures. Index performance is provided as a reference to broad market segments. Indices do not have fees or other costs and it is not possible to invest directly in an index. This communication may include forward-looking statements that are subject to certain risks and uncertainties. Actual results, performance, or achievements may differ materially from those expressed or implied.

In general the ETF-based NewSquare Portfolios seek to outperform their benchmarks by raising and lowering asset class exposures, fixed income sector or industry sector exposures, country exposures, currency exposures, and various alternative asset class exposures to anticipate relative price movements. To this end, the portfolios may utilize fixed income ETFs, U.S. equity ETFs, international ETFs, currency strategy ETFs, and alternative class ETFs (including real estate, commodities, hedge fund strategies, private equity strategies, and potentially others) to adjust exposures where appropriate. There are risks involved with investing in ETFs, including possible loss of money. Index-based ETFs are not actively managed. Actively managed ETFs do not necessarily seek to replicate the performance of a specified index. Both index-based and actively-managed ETFs are subject to risks similar to stocks, including those related to short selling and margin maintenance. Some NewSquare Portfolios invest directly in individual securities (typically stocks and bonds) that pursue more traditional strategies.

In addition to the normal risks associated with investing, international investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles, or from economic or political instability in other nations. Emerging markets and frontier markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. Investments in smaller companies, in narrowly focused sectors, and in individual foreign countries typically exhibit higher volatility. Real estate investments are subject to changes in economic conditions, credit risk and interest rate fluctuations. Commodity-related investments are speculative and involve a high degree of risk. Commodities markets have historically been extremely volatile, creating the potential for losses regardless of the length of time an investment is held. Bonds and bond funds will decrease in value as interest rates rise. Investment return and principal value will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost and potentially subject to capital gains taxes. Tax-exempt fixed income strategies invest in securities designed to pay income that is exempt from certain income taxes, but a portion of the income may be subject to federal or state income taxes or the alternative minimum tax. Federal or state changes in income or alternative minimum tax rates or in the tax treatment of municipal bonds may make them less attractive as investments and cause them to lose value.

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by NewSquare Capital), or any non-investment related content, made reference to directly or indirectly in this newsletter will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from NewSquare Capital. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. NewSquare Capital is neither a law firm nor a certified public accounting firm and no portion of the newsletter content should be construed as legal or accounting advice. A copy of the NewSquare Capital's current written disclosure statement discussing our advisory services and fees is available upon request. If you are a NewSquare Capital client, please remember to contact NewSquare Capital, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services. Any offer to invest in the firm's investment strategies can be made by a written agreement only. The information in this document is intended for U.S. residents only. Before investing, an investor should carefully consider the portfolio objectives, risks, charges, and expenses. For more information on NewSquare Capital and its investment strategies, visit