

NOTES

Strategic Series

January 23, 2018

A STRATEGY UPDATE FROM THE
PORTFOLIO MANAGEMENT TEAM

NewSquare Strategic Series

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

STRATEGIC 40/60
STRATEGIC 60/40
STRATEGIC 80/20

4th Quarter 2017 Review

The Strategic Series

Description

The NewSquare STRATEGIC Series blends a constant core allocation strategy with an active sector rotation strategy. This blend produces a series of managed ETF portfolios designed to deliver: (1) predictable exposures to opportunities for both growth and income, (2) a sector rotation strategy driven by momentum trends, and (3) low-cost, one-stop diversification designed for long-term growth. NewSquare employs a rigorous multi-factor screening process that favors ETFs with low expense ratios, low total ownership costs, greater diversification, trading support, sponsor strength, and strong institutional support. Clients may choose their top-level asset class exposure — conservative, moderate, aggressive — by selecting from NewSquare’s three equity/fixed income blends: Strategic 40/60, Strategic 60/40, or Strategic 80/20.

The NewSquare Strategic Series delivers globally-diversified, multi-asset portfolios to conservative, moderate, and aggressive investors.

Commentary

We seem to remember that the typical asset allocation portfolio (for example, a portfolio made up of 60% stocks and 40% bonds) was declared “dead” in 2008-2009. We were told equity returns in the future would be muted, and those years encompassed a market crash that would affect generations of investors. Fast forward almost 10 years, and we have seen an equity market advance that rivals some of the best bull markets in history. Assuming you’re an investor that sticks to your plan, you deserve credit for

(Continued on page 2)

understanding your own personalized investment approach, and allowing yourself the discipline to follow through on that plan.

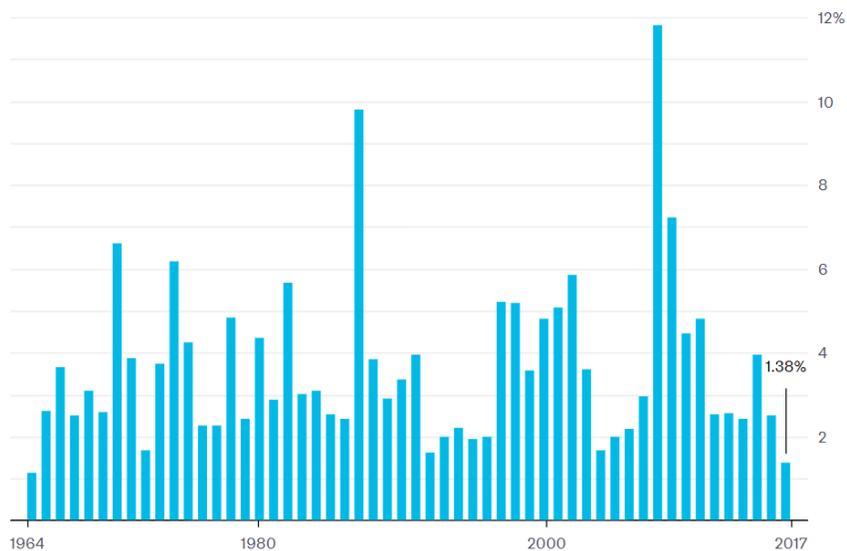
The glaring question is “Can this market continue?” Often, we hear pundits espousing that the market has moved “too far, too fast.” Or, we hear clients ask “Should I get in now after the market has run up so much?” One measure that we found interesting is the fact that we’ve seen tepid daily gains this past year.

“U.S. stocks were up more than 20 percent, but it has been a surprisingly slow, steady grind. The single best day for the S&P 500 in 2017 was a rise of just 1.38 percent. There just hasn't been much in the way of giant euphoric gains of bull markets past. Small gains do add up over time; however, the lack of outsized single-day increases should make us question claims of reckless purchases and a stock-market bubble. See the following chart.”

(Source: Barry Ritholtz, “Taking Stock of a Very Weird Year in Markets”)

Slow, Steady, Incremental

Maximum daily gain during the year in Standard & Poor's 500



Source: Bloomberg

Even if the market has made a significant run, clients (along with their advisors) that know their overall risk tolerance can translate that into better returns. Because, they'll stay invested. As easy as that sounds, often times it is difficult. And, an appropriate level of diversification can aid when it's needed most (in market downturns). Like all investment philosophies, it comes with some drawbacks.

(Continued on page 3)

“Diversification will make you feel silly. Any long-term investment strategy is bound to make you feel foolish over the short-term. This is especially true at market extremes as the limits of your patience and discipline are sure to be tested. Diversification is for patient people and that requires ignoring those market environments that make you feel like an idiot for spreading your bets and managing risk.”

(Source: Ben Carlson, “10 Things Investors Can Expect in 2018”)

Performance for the STRATEGIC portfolios in the 4th quarter was in line with our market benchmarks. All portfolios are positive for the year, with the more aggressively allocated portfolios outperforming the more conservatively allocated ones. There were a few trades in the quarter. We executed two trades in the International Equity space and one trade in the Alternatives space to take advantage of prevailing trends. We will continue to look for sectors and areas of the market to deploy client capital in the most responsible manner. 

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.

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