QUARTERLY COMMENTARY

Notes from the NewSquare Community

NewSquare Capital

3rd Quarter • 2018

Listening to the Market, Not the News

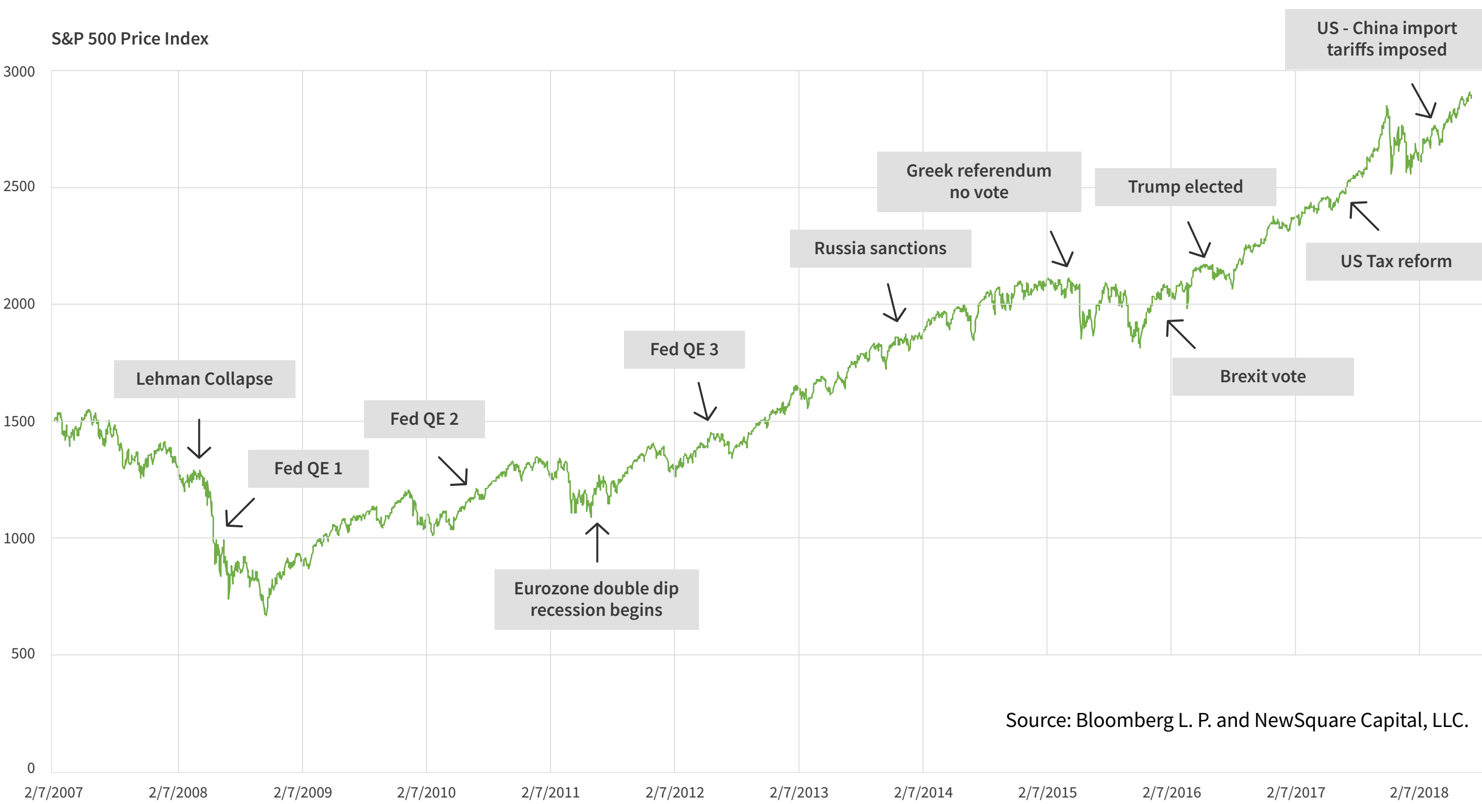
Recent all-time highs for the S&P 500 drove many media outlets to proclaim that we're in the midst of the longest-running bull market of all time. That prompted almost as many financial pundits to predict the coming of the next recession.

At NewSquare Capital, we believe focusing on the headlines can be hazardous to your financial health. Our advice: Don't listen. Focusing on day-to-day events can have an emotional impact on investors. It can drive rash decisions to alter properly positioned portfolios or pull money out of the market, which can have an adverse effect on long-term investor outcomes.

Instead, we listen carefully to what the market is telling us. Our best thinking is focused on evaluating true demand, which—after digesting the news, earnings reports, and company fundamentals—drives the performance of single stocks, the markets, and your portfolio.

> *"The Teflon market has deflected everything that's been thrown its way.*
> *… Just this year, stocks have shrugged off trade wars, political instability, emerging market crises, interest rate hikes by the Fed (US Federal Reserve); I could go on. Any rational person would be right to ask: 'Why doesn't the stock market care about all this news?'"*
>
> Ben Carson CFA, Director of Institutional Asset Management, Ritholtz Wealth Management, August 2018 (Read more of Mr. Carson's thoughts here)

Today's news flash, no matter how upbeat or dire, is little more than noise over a full market cycle. Likewise, any one quarter, whether the market moves up or down, is approximately 2% of a 10-year period, or little more than a blip. Wealth is built over the long term, not in a day, or even a 90-day period.



Source: Bloomberg L. P. and NewSquare Capital, LLC.

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Market Review

At NewSquare Capital, we don't react to the news, and we don't manage based on TV commentators' predictions. We don't predict what's going to happen in the market tomorrow, and we certainly don't forecast over months and years. Rather, we work to identify key, long-term market themes, which we believe can help us position our clients' portfolios for long-term wealth creation and capital preservation.

These themes are not the things you hear about in the media. Rather, the market is telling us to keep steady, and focused on US equities.

> As Mr. Carson writes, ***"Anyone predicting a rocket ship to the moon or a terrifying crash has been wrong. Gradual good news doesn't play well in the headlines, but it's been there nonetheless."***

The bull market is running on a stronger domestic economy, low unemployment, and surging corporate profits, backboned in part by income tax reform passed in late 2017. We've been focused on a few key themes, and they're not necessarily what you're hearing from the media:

- First, the long-running, multi-year outperformance of growth stocks over value continues.
- Second, while large-cap growth equities drove the market's 2017 gains, in recent months, small- and mid-caps have kept pace, and even surpassed their larger peers at times.

Sector leadership, meanwhile, remained steady, with information technology, consumer discretionary, and health care as leading market drivers in 2018.

Internationally, the last three to six months were a different story. Developed market equities failed to keep pace with US stocks.

Emerging markets declined sharply, as a stronger US dollar, currency crises, and trade tensions were credited with limiting expectations for emerging market growth.

From a fixed income perspective, given a strengthening economy and rising inflation rate, the Fed raised short-term interest rates several times in the last 12 months, with plans for more tightening over the next year. Rising rates have provided an opportunity to maximize our fixed income portfolios through our active management, in part by shortening the duration of our portfolios.

Portfolio Discussion

While we made some trades and completed some minor repositioning during the third quarter of 2018, there were no major shifts in our asset allocation. We did not make any significant changes to our portfolios.