QUARTERLY COMMENTARY
Notes from the NewSquare Community

NEWSQUARE CAPITAL

4th Quarter • 2018

Keeping Our Focus on the Long Term

At NewSquare Capital, we realize that the fourth quarter was not easy to go through. We are investors, too, and our own investment portfolios gave back a lot of the gains we had made in 2018. We have heard the pundits predicting a coming bear market, and we have seen the TV commentators advise that now is the time to pull back, to get defensive. We understand that short-term market corrections are uncomfortable, and that it can be easy to worry when markets move downward over the short term.

In the middle of the correction, one simple sentence from Josh Brown, CEO of Ritholtz Wealth Management, resonated with us:

> **"Investors with capable human advisors aren't panicking,"** he tweeted.

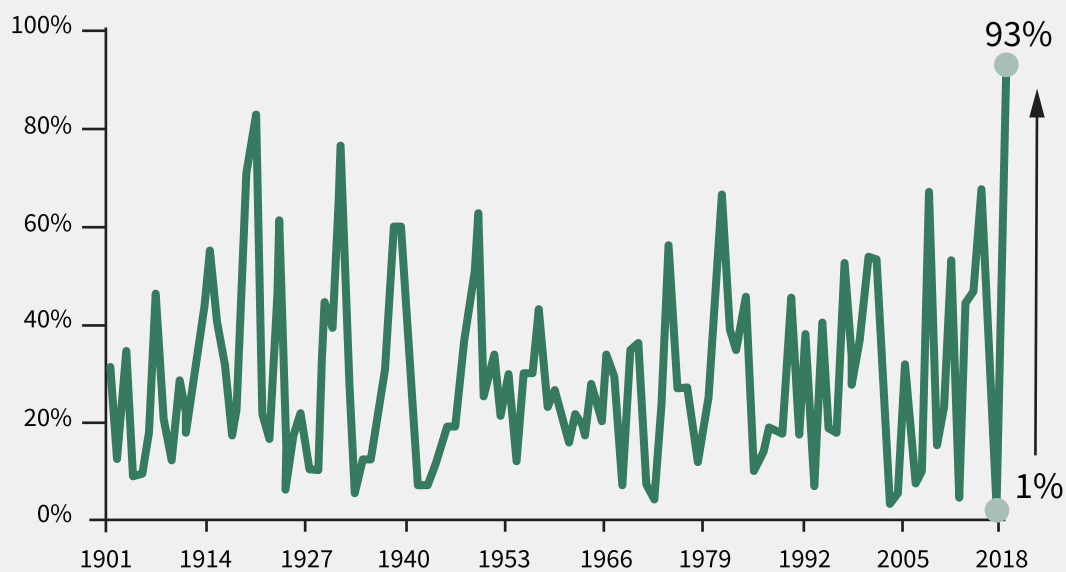
Indeed, this is not the time to panic and react. Rather, it is the time to analyze and respond. That *is* what we do every day, every week, and every month, and over time, we believe it works. Our process is always the same, whether we are in a long-term, screaming bull market or an enduring bear market. By investing with us, you have already chosen to invest for the long term. You know that our structure, our process of disciplined investing, is going to drive us through, even if others are making questionable, emotion-driven decisions. We won't panic. We implore you to do the same.

> *"Traders and investors will be glad to see the back of 2018. It's been the worst rout since 1901, by Deutsche Bank AG's reckoning, with almost every asset class delivering losses."*
>
> —Washington Post / Bloomberg Opinion article (entitled "14,889,930,106,680 Reasons to Fear Recession"), Dec. 17, 2018

Tough to find winners

Each month, DeutscheBank tracks the returns of more than 70 market asset classes. By mid-December 2018, 93% had a year-to-date negative total return in US dollar terms, a record high based on data back to 1901.

Percentage of Assets with a Negative Total Return in USD terms



Source: Deutsche Bank, Bloomberg Finance LP, GFD. Note, returns YTD are until December 20

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Market Review

Volatility reigned in the fourth quarter of 2018, with the vast majority of asset classes posting negative returns for the quarter.

It was a challenging 3-month period. Still, let's put that volatility in perspective. First, remember that 2017 was the true anomaly, with smooth sailing across one of the least volatile markets in decades. Remember that the late 2018 correction was just one quarter. Remember, too, that the S&P 500 remains up over 16% since the start of 2017.

Most of all, remember that volatility and risk are integral parts of investing. Without the periodic drawdowns that drive the fears of impatient investors, more patient investors—those focused on their long term goals, and those that stick to their investment plan—would not have the opportunity to build wealth. At NewSquare Capital, one of our goals is not to eliminate risk or volatility, but instead to mitigate the impact of significant losses over the long-term. That is how we maximize investor outcomes over time, no matter what is happening in the markets.

As 2018 ended, the market was still in the middle of a volatile period. We saw some shifting in market leadership, some movement away from risk and toward value, more defensive sectors, and larger-cap equities. It is not unexpected to see all of those things, at least in the short term, during this sort of market turbulence. Some "experts" say we are about to slip into a recession, while others point to a continuation of a robust business cycle. The truth is, no one knows what 2019 will bring. We don't make predictions. Rather, we listen to the market, identify the long-term trends, and position our portfolios so that rather than fear volatility, we can embrace the opportunities it provides.

Portfolio Discussion

While we made some trades and completed some slight repositioning during the fourth quarter of 2018, there were no major shifts in our asset allocation.