

The Things Fund Managers Don't Tell You

Toward the end of 2018, amid reports of annual losses in virtually all asset classes and some of the toughest market sledding in nearly 50 years, a lot of investors had queasy stomachs. No doubt, some pulled back toward “safer” harbors or even out of the market, certain that the decade-long bull market was coming to a crashing end. Then, the markets roared back. The S&P 500 gained 20%-plus from recent lows, and double-digit advances reigned across most asset classes.

Did someone, somewhere speculate something like this would happen? Probably. It wasn't NewSquare Capital. We don't pretend to know what's going to happen in the short term, because markets are inherently unpredictable. Instead, we advised against panicking. And now, we remind investors to guard against irrational exuberance that can be tempting when markets rally, even if that's not something a lot of people are saying.

In fact, there are a lot of things that fund managers don't say enough. Here, courtesy of fund manager and behavioral science expert Joe Wiggins (read his full list [here](#)), are a few things we want to tell our investors now...

“I have absolutely no idea what equity markets will do over the next 12 months, but the odds are in favor of them going up.” Some of the people shouting the loudest about the market's next short-term move will be right. Many will be wrong. At NewSquare, we don't make predictions, although history tells us that over the long term, it's likely moving up. Instead, we try to listen to what the market is telling us, which we believe is a much more realistic way to help our clients.

“I appreciate that recent market volatility feels significant, but I don't want to focus on it because, on a 10-year view, it is likely to seem meaningless.” On March 6, 2009, during the great recession, the S&P 500 reached an intra-day low of 666. Over the next 10 years, the index posted an annualized return of 17.5%. That is the power of “time in the market,” as opposed to “timing the market.” It's not easy to persevere through drawdowns, but we believe eliminating

“When talking to active managers, fund investors can focus on the wrong things – we are heavily biased toward the short-term, and obsess over issues that are recent and salient. We also drastically overvalue confidence as a characteristic, whilst punishing circumspection, realism, and humility.”

—Joe Wiggins, CFA, fund manager with London-based Aberdeen Standard Investments, and author of the “Behavioural Investment” blog, March 27, 2018

emotional decisions and focusing on a long-term plan is the key to creating wealth.

“Whilst I believe in this investment, given that I will get at least 40% of my decisions wrong (assuming I do a very good job), this could be such an occasion.” We have been wrong. We *know* we will be wrong again. However, our process of disciplined investing helps us recognize when we've made mistakes, then adjusts and corrects. Likewise, we know the market will struggle at times, but we focus on minimizing the impact of those times.

“Of course, I can review three-month performance, but the results are almost entirely random market noise.” Any one quarter is just 90 days, about 2% of a 10-year period. When the market jumps by 20% or declines by 20% in a quarter, as it does from time to time, it's easy to get caught up in the move. We believe those periods of outsized returns—up or down—are not the time to think about adjusting your long-term strategy. Better to rely on your plan, review it periodically, and be sure it fits your goals and time horizon.

The bottom line is, at NewSquare Capital, we're not making decisions based on what we *think* is going to happen. Rather, we employ a solid strategy aimed at long-term success. From time to time, our process will experience short-term rough patches, but we strongly—and humbly—believe that, over the long haul, it will drive positive investor outcomes.

Market Review

Markets bounced back from a difficult end to 2018, with U.S. equities across all market caps and most sectors posting substantial gains, along with developed-market and emerging-market stocks. Of *The Wall Street Journal's* key indexes, the only one that was down for the first quarter was the Cboe Volatility Index, or VIX, a measure of market volatility that's been indicating calm waters since Christmas Eve. We saw some shifting in market leadership, some movement back toward risk, and, while we've seen some strength in small- and mid-cap stocks in recent months, large-caps have continued to lead the way. From a fixed income perspective, in March, the U.S. Federal Reserve left

short-term interest rates unchanged and signaled that the pause on rate hikes could run through 2019. We continue to seek opportunities to maximize our fixed income portfolios through our disciplined management.

Portfolio Discussion

We made no substantial changes to our portfolios during the first quarter of 2019. We did complete some minor repositioning and made some trades, but our broad asset allocation remained the same.

Bouncing Back

Warren Buffett recently told shareholders that occasional major market declines will affect virtually all areas of the market, and that no one can tell you when these traumas will occur. For long-term investors, December's correction was an opportunity rather than a panic-inducing moment.

Index	December 2018 return	First quarter 2019 return
S&P 500	-9.2%	+13.1%
MSCI World	-7.7%	+11.9%
MSCI Emerging Markets	-2.9%	+9.6%
MSCI EAFE	-5.0%	+10.0%
MSCI Pacific	-5.3%	+8.5%
Bloomberg Barclays U.S. Aggregate (U.S. Bonds)	+1.8%	+2.9%
NASDAQ	-9.5%	+16.5%
Shanghai Composite	-3.6%	+23.9%
MSCI US REIT	-8.2%	+16.3%
Bloomberg Commodity	-7.1%	+6.3%
Cboe Volatility	+40.7%	-46.1%

SOURCES: Morningstar, MSCI, Bloomberg

NewSquare Capital is an SEC registered investment advisor. Registration of an investment advisor does not imply any specific level of skill or training. For additional information regarding NewSquare Capital, please obtain the Form ADV, Part 2, which is available through your investment adviser representative or online by visiting www.adviserinfo.sec.gov.

Please remember, past performance may not be indicative of future results. Investing in any investment vehicle carries risk, including the possible loss of principal, and there can be no assurance that any investment strategy will provide positive performance over a period of time. The asset classes and/or investment strategies described in this publication may not be suitable for all investors.

The opinions expressed herein are those of NewSquare Capital as of the date of writing and are subject to change. The material is based on NewSquare Capital proprietary research and analysis of markets and investing. The material is for informational, discussion purposes only, and does not represent an offer to buy or sell any investment.

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. 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 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.

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 www.newsquarecapital.com. CRN202104-245274