

Atherean

Wealth Management, LLC

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Enclosed is your portfolio summary report for the quarter ending June 30, 2018, as well as an investment advisory fee statement for the third quarter of 2018. The portfolio summary report shows the holdings in your accounts as well as an overview of the portfolio asset allocation as of the close of the second quarter of 2018. It also provides a summary of your investment objectives, time horizon, and risk tolerance as per our records.

Equity market performance

Equity markets have had mixed results in 2018, with the S&P 500 index up 1.66%, the Russell 2000 small cap index up 7.42%, and the MSCI EAFE (Europe, Asia and Far East) index down 4.75% year to date as of the end of the second quarter. This has been a year where disciplined equity asset allocation has paid off tremendously as it has reduced the volatility and downside of our managed equity portfolios. Europe remains a "value trap" whose equity markets have been consistently underperforming despite being chronically undervalued. U.S. small cap stocks have performed well this year as their revenues tend to be domestically sourced and have thus been relatively immune to the talk of trade wars and tariffs. As we have been stating for the past year, we are concerned by the hype surrounding "index investing" and "passive investing", particularly with regard to the effect which the tech bubble has been having on the market cap weighted S&P 500 index. As of the date of this letter, five technology companies: Amazon, Microsoft, Facebook, Amazon, and Alphabet together make up almost 16% of the S&P 500 index, and just this last week, Facebook lost close to 25% (almost \$120B) of its market value in a single trading session. Over the last year, we have been gradually reducing our direct exposure to the S&P 500 index and have been adding value oriented large cap U.S. equity exposure through various means.

As far as managing your accounts go, we will continue, as always, to take a long-term view and focus on maximizing the risk-adjusted return of your assets with respect to your time horizon, risk tolerance and liquidity needs.

Let us know if there are any changes to your financial profile or investment objectives. If you would like to review your portfolio and/or financial plan in greater detail or have any other questions or concerns, feel free to contact me.

Sincerely,



Christopher M. Gething, CFP®, EA

Atherean Wealth Management, LLC