INVESTMENT INSIGHTS

Finkelberg INVESTMENTS of RAYMOND JAMES®

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DJIA	S&P 500	3-MONTH T-BILL	10-YR TREASURY BOND
23,062	2,486	2.39%	2.72%

Stay in the Game

The money you make while the market is soaring
Depends on what you do when stocks are down or they're boring
When emotions and impulse are hardest to tame
Keep your head level and stay in the game

By an obscure (for good reason) Mississippi poet

Pullbacks in the stock market are routine, frequent and normal. For the better part of the past two years, I have written about the elevated valuation of stocks, the difficulty of finding buy candidates, the higher level of cash in our managed accounts, and the need to stick close to the correct mix of stocks, bonds and cash to honor your personal risk tolerance. My purpose was to remind you and me that sometimes severe volatility is to be expected and that the steady and mostly calm uptrend of the past decade was an aberration to market norms.

Nevertheless, as we are potentially on track to have the worst December stock market since 1931, experiencing the drop in real time feels a lot different than a theoretical discussion. Therefore, I think it is worthwhile to review the process and procedure that we follow during market declines.

Keep emotions in check

Please understand that I am sensitive to the disappointment and concern that you have during periods when your assets are declining in value. However, it is during these periods that it is extremely important to be as unemotional and logical as possible; Mr. Spock of Star Trek fame might be a good role model.

Historically, the stock market enters a bear market (down 20% or more) every 3-4 years on average. Worse drops (think 2000-2002 and 2007-2008) occur about once per decade. Despite these scary declines, the market has generally rewarded investors with worthwhile returns (the past decade for example). That is not a guarantee, but in my opinion if our market doesn't eventually turn up and set a high at some point, it would be the first time in history. As the ditty above suggests, what we do during less than optimal phases and being well positioned is crucial to making money when the market historically resumes its uptrend.

In the short term, the market will do whatever the market will do. In the long run whether we make the returns that we anticipate is generally up to us and our ability to keep our emotions in check.

Only assume the risk that you can tolerate

Assessing your correct risk tolerance is something that we try to determine the very first time we discuss investing with you. I believe that risk tolerance (and I define the term as the amount of money or the percentage of value that your portfolio can drop during a horrible market without causing you insomnia) is personal and formed very early in life. Once we have this discussion and determine your P.D.L. (personal downside limit), we use this information to balance your account with a mix of stocks, bonds and cash to try to respect your limit.

The more volatility you are willing to bear, the higher your stock allocation will be, and the greater the roller coaster ride you will experience in an effort to produce a higher rate of return. The less adventuresome portfolio will contain a higher level of bonds and cash, enjoy a less volatile ride and likely show a long term rate of return that is more modest. When we asked what percentage decline you could handle in a bad market, hopefully you understood then and appreciate now the reasoning behind the question.

We know it is not easy or fun to experience declines and we want you to meet your financial goals without experiencing too much stress. Honoring the correct personal downside limit by using the appropriate mix of stocks, bonds and cash is how we try to achieve this dual mandate.

Market timing

A commonly asked question is "Why don't you just sell all of my stocks before the market falls and buy them back when the market is going up?" Unfortunately, I do not know when the market is going to turn down, and when it does, how long the decline will last or how severe it will get. Pretending to be able to market time when I cannot is insincere and also not helpful to you.

Rebalancing

I mentioned that we target a mix of stocks, bonds and cash that is individualized for you based upon your risk tolerance.

What happens when changes in the stock or bond markets cause your allocation to stray? If the volatility in the financial markets is significant enough, we will recommend that you move assets (from stocks to bonds or from bonds to stocks) in order to bring you back closer to your target allocation.

Rebalancing your accounts in this manner helps keep the volatility of your portfolio within your risk tolerance limitations and also hopefully allows us to buy the asset class that seems relatively undervalued.

Using Cash

As individual stocks meet the buy criteria that we look for, and assuming there is cash available, we will utilize these funds to make purchases in the managed accounts. If our sell criteria is triggered, we will sell individual positions and either move the proceeds to cash or use it to buy other stocks that appear attractive. This process occurs regardless of the overall market movement.

Summary

What you have just read is an outline of the game plan at Finkelberg Investments that we have been utilizing for a long time during periods of market volatility. In sum, we proactively attempt to determine your personal risk tolerance, adjust your portfolio back to “home base” when market swings are significant, and attempt to take advantage of opportunities that appear to represent value. And by having a carefully considered game plan, we try to keep our actions and reactions unemotional, centered on your long term goals, focused on what actually works, and concerned with the market’s long term direction.

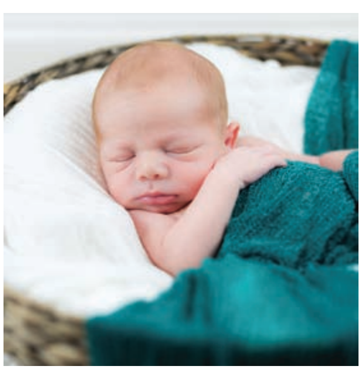
The down phase of the market, while inevitable, is certainly not enjoyable. But the patience, bravery and common sense shown during the periods when stocks are dropping or doing nothing, has a higher probability of benefitting investors when the market again shows its historical tendency to rise. The stock market can be rewarding in the long run, but to receive the potential rewards of the game, one must stay in the game.

Everyone on the team is available for you. We encourage your calls and questions. And your levelheadedness.

Until next time,

Arty

Arty Finkelberg, CFA, CFP®
Senior Vice President, Investments



We would like to congratulate our team member Sally Avalon and her husband Brad on the birth of their son, Thomas Brad Avalon, Jr. Thomas was born on November 7, 2018. Their daughter, Ruth Ann, is ready for her position as Big Sister! Best wishes to the Avalons!

Out of Town Visitors

J.G. of Vicksburg, MS

A.G. of Vicksburg, MS

Special Birthdays

96 – O.G. of Raymond, MS

91- L.S. of Madison, MS

Look at all of these special anniversaries!!

67th – E.C. and F.C. of Madison, MS

66th - J.E. and J.E. of Terry, MS

50th – G.M. and S.M. of Ridgeland, MS

Save the Date!

The 2019 CFA Forecast Dinner will be held at the Country Club of Jackson Thursday, February 28, 2019. We will be sending your invitation very soon. Seating is limited so please reserve your spot(s).

The 1099s for tax year 2018 are scheduled to mail as follows:

1st mailing - February 15, 2019

2nd mailing - February 28, 2019

3rd mailing - March 15, 2019

ALL OF US AT FINKELBERG INVESTMENTS WISH YOU AND YOUR LOVED ONES A HAPPY AND HEALTHY NEW YEAR!

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