

October 2018

Dear Clients and Friends:

LYNN IS A GRANDMA....AGAIN

Congratulations to Lynn Thompson, who became a Grandma for the second time with the birth of her granddaughter, Anabelle, who was born July 31st. First time parents, her son, Scot and wife, Jenny, are doing as well as new parents can do, and baby Anabelle is doing great. Lynn is of course spoiling her and spending all her money on cute dresses and Halloween costumes.



THE YEAR OF THE DOW

Through September 30th it has been a great year for large US stocks. The Dow Jones Industrial Average is up 8.83% for 2018 and the S&P 500 is up 10.56%. Having said that, performance has been a mixed bag this year, as you will see from several indexes below:

S&P 500 Index	10.56%
Russell 1000 Value Index	3.92%
Russell 2000 Index	11.51%
MSCI EAFE International Large Value Index	-3.80%
MSCI EAFE International Small Cap Index	-2.19%
MSCI International Emerging Markets Index	-9.54%
Bloomberg/Barclays Aggregate Bond Index	-1.60%

This is much different than 2017 where all asset categories performed well, particularly international stocks (emerging markets were up 33%). But because the Dow and the S&P 500 are the benchmarks most often reported by the media, it can give us a distorted view of overall returns. While we like large US stocks and include them in all portfolios, by themselves they are not “the market”, and they are not a diversified portfolio. Or said another way, they are a good puzzle piece but not the whole puzzle. Nobel Prizes have been awarded to economists for discovering that when you add differing asset classes to a portfolio, it not only reduces volatility, but if done efficiently, improves long term expected return.

This is the evidence-based approach we use at WealthPoint. It has served us well over the years rather than getting caught up in the hype of what is the flavor of the month, so to speak.



And speaking of evidence—I recently read that as of June 30, 2018, the Price/Earnings ratio of US Large Growth was 27.5 compared to the P/E ratio of US Large Value stocks at 15.95. This is the largest difference since December 2001 (30.6 vs 18.2). Anyone who was invested at that time might remember the Tech Bubble, and many pundits saying the old “this time it’s different” line about how these companies were going to take over the market forever. Well, the following 5 years after 12/2001, Value outperformed Growth 10.9% to 2.6%. Will that happen again? It is hard to know, but your odds of high returns are better when you buy things cheap instead of buying them expensive. If your portfolio is significantly overweight in US Large Growth, it might be time to speak with us about rebalancing.



THOUGHTS FROM THE RECLINER by Mike Skehan

GETTING OLDER

I got a new iPhone 8 last Thursday and a lot of phone numbers and contacts didn’t transfer right from my old phone, so I spent part of the weekend going through my phone contact list. I had about 560 contacts.

A large group of my contacts came from my time running the accounting firm so I had lots of banking names and I noticed that many of them had worked at several different banks. That was an industry that went through significant changes and people moved around a lot. They taught me what “liar loans” were and laughed about it but continued to make them until the banking industry’s near collapse. Lots of people got hurt, both home owners and investors, but the bankers just switched banks. I just deleted them from my contact list.

Some of the contacts were fishing guides or lodge owners from places where I won’t be able to visit again. They brought back memories of good times and crazy days, like the time in Montana when my guide had a hangover and backed his car and boat trailer into the Missouri River and forgot to set the parking brake. Luckily, I had jumped out. The boat, trailer, and car all went in the mighty Missouri and were never seen again.

Then there were contacts that have passed away. I have always been a sentimental Irishman so it took me a while to delete old friends. Some of them I couldn’t delete because it felt like I was leaving them and it wouldn’t be right. But that’s OK, because memories are important and priceless and they help define the kind of person we are. So, if you call sometime and I sound choked up, you will know I have been visiting memory lane. God Bless and don’t delete me yet.

I hope you enjoy the changing leaves and fall weather. If you have any friends, family, or co-workers who would benefit from a second opinion on their financial plan, please let us know. We would be happy to provide a complimentary review that I know they would find beneficial.

Brent M. Walker, CFP®