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FROM THE DESK OF
FOUNDER'S CORNER
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# Asset Allocation Amid "Record Breaking" Noise

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"Worst one-day drop of the past two years!" "Stocks hit new all-time high!" There's nothing like a record day in the market to make investors worry—either that they're missing out on gains that everyone else is getting or that they need to sell everything now.

**When I consider this environment versus the many others I've seen during my 48-year investing career, I still see a strong case for equities.** Stocks have historically performed well during periods of economic growth. The U.S. economy is not poised for imminent recession, and global growth trends are encouraging. The Fed looks set to continue on its steady course under Chair Powell. U.S. consumer sentiment and average weekly hours worked are at their post-financial crisis highs, and initial jobless claims are near their lowest levels over 40 years. Corporations are also in good shape, as measured by earnings growth expectations, manufacturing data and business sentiment. In my view, tax reform, deregulation and global growth can fuel these positive trends further, in turn supporting continued opportunities in the stock market.

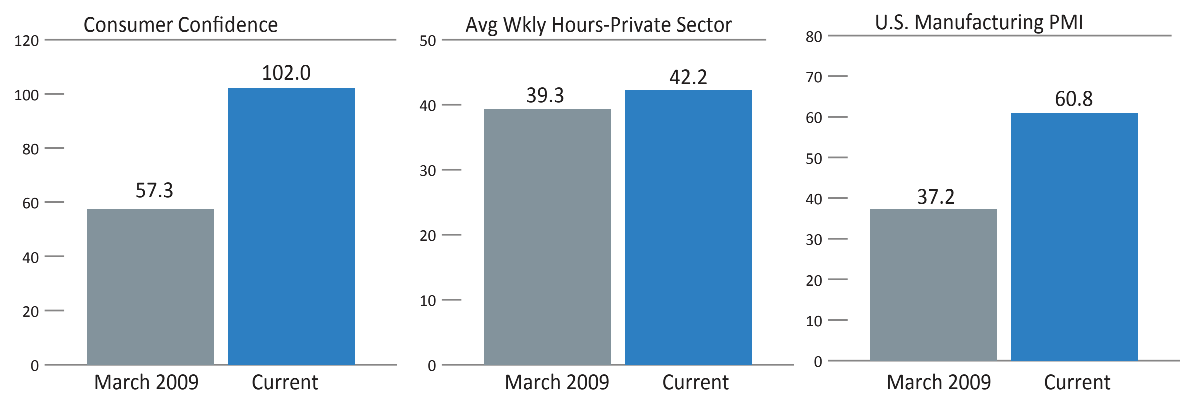
**A bullish outlook on equities doesn't mean turning a blind eye to potential risks and short-term volatility, however.** Volatility has been on the upswing in 2018. Over the past two years,* there have been 51 days when the S&P 500 has closed up or down more than 1%. More than 40% of these days have been during the first quarter of 2018. I expect elevated volatility to continue to drive the markets as participants react to daily political headlines and data releases.

***When it comes to balancing potential returns versus risks, diversification is the investor's best ally. More specifically, I believe actively managed fixed income, alternative and lower-volatility strategies can help investors maintain the appropriate risk/reward parameters for their unique needs. The right risk/reward balance can make it easier to weather short-term equity volatility and resist the temptation to time the market.***

Market barometers may fluctuate more dramatically than they used to, but the keys to navigating this environment are the same—stay diversified, focus on the long-term and the progress you are making toward your goals.

**Figure 1. A Healthy U.S. Economy Supports Equity Opportunities**

KEY MEASURES HAVE REBOUNDED SINCE THE FINANCIAL CRISIS




Source: Bloomberg. Consumer confidence is measured by University of Michigan Consumer Sentiment, not seasonally adjusted. Average Weekly Hours All Employees Total Private and ISM Manufacturing PMI are seasonally adjusted. PMI levels above 50 are considered indicative of expansion. University of Michigan Consumer Sentiment is as of 3/31/2018; Weekly Hours and PMI are as of 2/28/18. Financial Crisis low data is as of March 31, 2009.

*Period beginning April 1, 2016.

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