



Private Capital Group Q1 2019 Review

Good morning!

As we begin the second quarter of the year, we're thankful that essentially all of the Q4 2018 investment losses have been recovered. Though we continue to see signs of increased market volatility on the horizon, the first few months of 2019 have been calmer than anticipated, especially given the state of the country at the beginning of the year. With the end of the government shutdown, some tentative optimism around US-China trade relations, and the recent federal interest rate decisions, global affairs in the first quarter had a bit of unexpected stability, which was reflected by extremely positive markets and no sharp swings of volatility.

At the beginning of the year, we discussed the challenge of seeing your assets fluctuate with the markets and our steadfast commitment to the stewardship of your financial well-being. With a potential period of heightened volatility ahead and tax season upon us, now is a great time to revisit the principles working to support your financial goals. Our commitment to you remains stronger than ever, and we are happy to share our perspective on recent market events, especially as they pertain to your personal financial strategy and goals going forward.

First Quarter 2019: Market Update

Financial Market	Q1 2019	YTD 2019
S&P 500 (Domestic Stocks)	13.65%	13.65%
EAFE (International Stocks)	10.13%	10.13%
U.S. Government /Credit Intermediate Bonds	2.32%	2.32%

What Defines a Strong Financial Mindset?

We tend to say 'stay the course' in times when the market swings and valuations drop (like we did in Q4 2018), but what does that mean exactly? We, of course, want you to trust in our investment strategies, which are designed to not only endure market declines but to *expect* them as a natural part of the process. But staying the course also applies to our mental outlook; it means staying psychologically steady despite the challenges and emotions that come with market volatility. We know as well as anyone how difficult this can be, so here are three strategies Private Capital Group uses to mentally 'stay the course' and cultivate a strong financial mindset:



Recognize media bias: By its very nature, the media is focused on the present moment, and that short-term bias is the very antithesis of a sound, long-term investment strategy. The media may lean towards sensationalist “bear market” headlines even when the drop is less than 20%; even though a full 20% or greater decline in securities pricing from recent highs is the widely accepted standard definition of a bear market. These kinds of market fluctuations tell us very little about where prices are headed in the coming years. Every generation will likely see share prices halve at least once along with many more bear and bull markets, corrections, dips and spikes.

Mentally separate long-term investments from current wealth: The psychological challenges of a decline in asset valuations are common and affect all of us. Even experienced investors are not immune to emotional reactions! Losing money is never an enjoyable experience. However, we can choose to think differently about our long-term investments, seeing them less as a dollar sign value of our present wealth and more of what they really are: investments in our future. This kind of perspective makes it easier to psychologically prepare for the natural declines in the market. After all, while dollar signs may change with the markets, the number of shares in your portfolio does not. No one can control the markets, but we *can* control our mindset.

Let history be your guide: We all know the saying “history repeats itself,” and that holds as true for the financial markets as it does for anything. If we look to market history, a balanced portfolio of global stocks has been likely to be worth more after a decade, and even more likely to increase in value over the course of two or three decades. We know your financial legacy was built over many years of serious work, effort, and sacrifice. Private Capital Group’s principles are aligned with the same long-term vision. Our work together is not dependent on the market swing of the day, week, or even month; it is a valued partnership that we plan to continue for the generations to come.

At Private Capital Group, we strive to earn and grow your trust each and every day. Thank you for being a valued client.

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