

April 4, 2018

***“When markets are turbulent, hope is not a strategy.” – Brown Brothers Harriman***

Dear Clients and Friends,

It is the time of the year again when our firm is required to send out several disclosure documents for your review. Please know that these documents are for your benefit and it is necessary that we make them available to you each year. Also, we will also be in touch with you over the next few months to execute an updated investment advisory agreement that is necessary for our compliance requirements. Accordingly, please find the following items enclosed in this reporting package:

1. Your quarterly portfolio report as of March 31, 2018
2. Annual Offer Letter of our Form ADV
3. Our Privacy Policy
4. State of New Jersey Disclosure Document

Taking a brief look back at the First Quarter of 2018, we saw a return of volatility that had been nearly absent in the markets last year. After January’s continued rise in market returns, February and March abruptly turned negative. Of course, questions arise as to why the increased volatility and downward turn of the markets. As always, there are a myriad of potential reasons including rising interest rates and inflation, decline of high-flying “FANG” stocks, threats of tariffs and trade wars with many nations including China, Russian meddling and continued global tensions with North Korea and Iran. Add in a highly divisive political climate creating much debate over deficits, taxes, border security and immigration policies along with many other topics. It seems as if one or more of the above issues appears in the daily headlines and the markets react accordingly.

Despite these market gyrations, there are still many positives that seem to have recently faded from view. GDP for the Fourth Quarter 2017 was revised up to 2.9% which was just slightly below Third Quarter’s number of 3.2%. Certainly positive numbers and a sign of a continued healthy economy. While interest rates and inflation have both crept upwards, both remain quite low by historic standards. Generally speaking, corporate profits remain relatively strong while market valuations remain at reasonable levels, particularly after the recent market pull back. Add in the potential positive impact of the recent tax reform and potential jobs growth from upcoming infrastructure legislation and one can find reason for continued optimism.

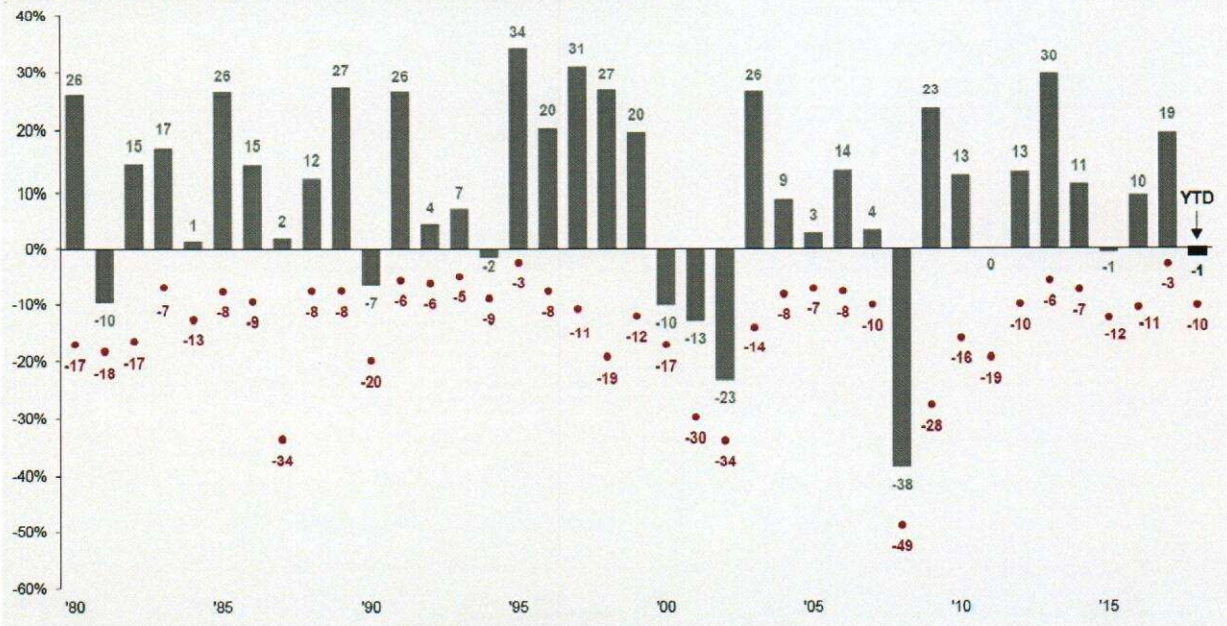
Given this good news/bad news, positive January/negative February and March, what should we think of this market? We simply believe that this is a normal market – digesting news and events and moving up and down sometimes rationally and sometimes not so rationally. Short term movements can be extreme and emotionally-driven, while we believe long term changes are more reflective of true market and economic health. Armed with this knowledge and belief, we are rarely concerned about short term volatility and remain focused on long term results.

We are in complete agreement with the quote at the top of this page from the 200 year old investment bank, Brown Brothers Harriman. In our experiences, hope is not required if you have a time-tested strategy in place. Accordingly, we place our capital and yours with boutique managers who take advantage of short term volatility to buy at low prices and sell at high prices. With a long term time horizon, volatility becomes an investor’s best friend and partner for compounding capital.

JP Morgan recently published some material that we believe does an excellent job of illustrating the benefits of investing for the long term while ignoring short term volatility. Please refer to the charts on the following page:

### S&P 500 intra-year declines vs. calendar year returns

Despite average intra-year drops of 13.8%, annual returns positive in 29 of 38 years

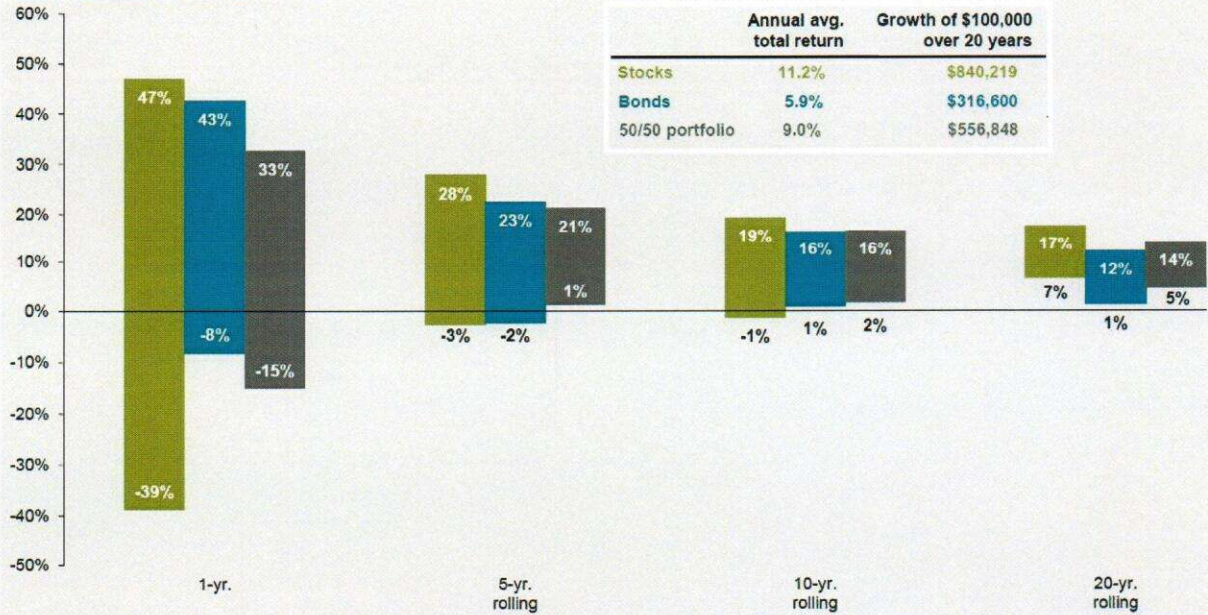


Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management. Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2017, over which time period the average annual return was 8.8%.  
Guide to the Markets – U.S. Data are as of March 31, 2018.

J.P.Morgan  
Asset Management

### Range of stock, bond and blended total returns

Annual total returns, 1950-2017



	Annual avg. total return	Growth of \$100,000 over 20 years
Stocks	11.2%	\$840,219
Bonds	5.9%	\$316,600
50/50 portfolio	9.0%	\$556,848

Source: Barclays, Bloomberg, FactSet, Federal Reserve, Robert Shiller, Strategas/Ibbotson, J.P. Morgan Asset Management. Returns shown are based on calendar year returns from 1950 to 2017. Stocks represent the S&P 500 Shiller Composite and Bonds represent Strategas/Ibbotson for periods from 1950 to 2010 and Bloomberg Barclays Aggregate thereafter. Growth of \$100,000 is based on annual average total returns from 1950 to 2017.  
Guide to the Markets – U.S. Data are as of March 31, 2018.

J.P.Morgan  
Asset Management

The first chart shows the annual returns of the S&P 500 represented by the grey bars, while the red dots represent the worst intra-year declines experienced by the S&P 500 during each calendar year. One interesting take away from this chart is that since 1980, the S&P 500 has experienced positive calendar year returns 25 out of 38 years and 16 of the 25 years that saw positive returns also experienced an intra-year decline of at least 10%. It is interesting that positive returns have occurred 66% of the time since 1980 and 64% of the years with positive returns also saw a drop of at least 10% during the year. In other words, declines of 10% or more during a year are a fairly normal occurrence and do not necessary indicate that the entire year will end up in negative territory.

Finally, the second chart illustrates the range of returns for various holding periods for stocks, bonds and a blended portfolio of both since 1950. The first set of bar graphs showed that the average range of returns for a one year holding period for stocks varied from a high of 47% to a low of -39% for stocks from 1950 – 2017. In other words, you might earn 47% or you might lose 39% while holding for only one year. However, if you were to hold the same stock index for a three year period, your returns would range from a positive 28% down to a negative 3%. Holding the same index for ten years would create a range of returns from 19% to -1%, while holding for 20 years the range would be 17% to 7%. We hope the take away from these numbers is the realization that the longer an investor's holding period reduces the effect of volatility, increases the probability of achieving positive returns and, therefore, reduces the risk of the portfolio.

As always, we thank you for your continued support and confidence and we look forward to writing to you next in the summer. Meanwhile, please feel free to contact us anytime with questions or comments.

Best regards,

*Bob*

Robert W. Joel, CFP  
Chief Investment Officer

*Chuck*

Charles T. Woolston, CPA  
Chief Executive Officer