

Market Recap Q4

Despite the age of the rally and full valuations, the US stock market returned 21.8% in 2017. It was a record-making year, not for the level of total return, but because every month saw a positive return – the first time ever for the S&P 500!

Index	Dec 2017	Q4 2017	YTD 2017
S&P 500	+ 1.11%	+ 6.64%	+ 21.83%
MSCI ACWI	+ 1.65%	+ 5.84%	+ 24.62%
Barclays Global Aggregate	+ 0.35%	+ 1.08%	+ 7.39%
Bloomberg Commodity	+ 2.99%	+ 4.71%	+ 1.711%

Data via Zephyr Associates and City National Rochdale

2018 Outlook.

It is difficult to form a 2018 outlook for markets without reference to the tax overhaul legislation signed into law at the end of 2017.

Stocks Stock investors are likely to have a bumpier ride in 2018 than in 2017, as investors try to “true-up” the expected benefit of corporate tax cuts on earnings already built into current prices with actual earnings reports and revised earnings estimates. Nevertheless, there are a number of reasons to believe stocks will continue to rise including the global breadth of the current economic expansion, increased consumer demand, a possible infrastructure bill, and special dividends and corporate acquisitions to the extent US companies choose to repatriate any of their offshore money.

Volatility Even without tax reform, we will likely see a pickup in volatility in 2018 because when volatility reaches the extremes of its historical range rather than continuing to trend, it tends to reverse course. And, median volatility in 2017 was unusually low at 11.1%, well below its longer-term median of 18.0%.

Fixed Income The potential for inflation in the U.S., due to adding tax stimulus to an already robust economy, coupled with the Fed reducing its bond holdings and the US Treasury issuing more bonds to finance tax cuts (and possibly infrastructure), seems likely to weigh on bond returns in 2018.

Disclaimer: This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events. Index returns are for illustrative purposes only. Indexes are unmanaged and cannot invest directly in an index. Past performance does not guarantee future results.

Disaster Preparedness

The “best” disaster is the one for which we are so well prepared that it never happens. While natural catastrophes such as earthquakes or tsunamis are difficult to predict and impossible to prevent, it is possible to avoid or minimize the impact of many other potentially disastrous conditions.

Preparation of an emergency kit is vitally important to maintaining self-sufficiency in the first days following a disaster. There are many excellent resources listing the items to include – one of the best published by the CDC – <https://www.cdc.gov/phpr/areyouprepared/kit.htm>. This allows you to customize the kit to care for all members of your household including your pets.

Create a plan, starting by researching the highest probability disasters in the area you live. Find out how to prepare for and respond to each of them. Learn the community warning signs and what actions you should take. Discuss the plan with everyone in your home. Design escape routes and

KSH Value Statement

Our boutique firm works with hard working families like you to gain clarity in your goals, comfort in your plan and confidence in your future.

Clarity

From the very beginning of our partnership with you, we work hard to ask insightful questions, listen well, and have conversations with you that allow us to know you on a deeper level – what and who is important to you and why, where you are today and where you’d like to be tomorrow. It is through this initial work, we begin to build the foundation of a partnership, trust begins to grow as we know each other better and we both get clarity of your heartfelt goals and desires.

Comfort

Once we know you and understand your goals, we begin to build your life financial plan. From budgeting, to planning for retirement, to saving for education or a second home, managing your taxes and insurance coverages – “finances” doesn’t mean just one thing for most people. And “financial planning” means much more than just investing. This process takes time as there can be a lot of moving parts to a person’s financial life. However, bringing it all together in a plan and in context of your goals and needs is vital because it helps provide a roadmap for moving forward. We, as your trusted partner, can now realistically determine what changes are necessary and where the red flags are that we must resolve to help keep you out of harm’s way. We can make informed recommendations about investment strategy and allocation within the context of your goals, time frame and comfort with market risk.

Confidence

When people embark on a journey, they typically like to know where they are going, how they are going to get there, when they can reasonably expect to arrive and what challenges they may face along the way. It’s human nature. And, this life planning process we embark on with our clients is no different. It is the basis of our partnership for all the reasons mentioned and is an ongoing process. As a result, we find clients rest easier knowing they have a plan grounded in their values and goals and a sound strategy for to help achieve them. The confidence that results allows them to get on with living. And, that is our goal too.

KSH Advisors Goal

Everything we do for you and your families is driven by our goal to help you live the best life possible with the money you have..”

practice them. Understand emergency response plans for businesses, schools and facilities where family members might be. Establish meeting places inside and outside your house as well as outside your neighborhood. Establish an out of town contact and make sure everyone has that phone number as well as any other important numbers.

In conjunction work with your community and neighbors. Many municipal emergency management programs have free guides available to help organize your community. Meet with your neighbors to discuss how you can support one another. Find resources., Who has a generator, a chain saw, or other equipment, who has special skills, medical, technical, or survival.? Knowing this allows everyone to work together in a meaningful way.

These three steps; prepare, plan and be informed, are critical to keeping your household and your community safe and healthy in the event of an emergency or disaster

Kathy's Corner – In honor of Sister Kieran

Recently I received a phone call from a nun asking me to give her a call. I instantly knew why she was calling and with dread, returned the call. Our former nanny, a retired teaching nun, had died. Sister Kieran was gone. My thoughts instantly went to my car trunk which held her favorite Cadbury chocolate. I had been meaning to stop by for a few weeks but just hadn't got around to it yet. No! We treasured her. Her sweet sparkly eyes, ready laugh, Irish brogue and nurture and care for our children was something we were eternally grateful for. So many treasured memories and I didn't get a chance to say goodbye.

I'm typically pretty good about seizing the moment, making time for those I care about and have even said to Jay, "we will never get this moment back, let's do it and make a memory". Usually I'm good at this but ... not this time. Dang dang dang!

Bill Gates said, "Most people overestimate what they can do in one year and underestimate what they can do in ten years." Additionally, we overestimate what we can do in a day and underestimate what we can accomplish in a year. That would be me! Fond of making daily lists that are really weekly lists makes it difficult to meet my expectations. It's "rare to never" that I get it all done in a day.

So like many people do at the beginning of a new year, I too, am mak-

ing some resolutions. I resolve to be realistic about how much I can accomplish in a day so that I have time. Precious time to do the things that are so important including visiting with the people I care about.

In tribute to Sister, after the funeral Kate and I walked the path and garden area that she had so lovingly maintained. We found a special rock to remember the moment and took a few pictures. And, upon our return to the car, we promptly opened the Cadbury's and said a prayer of thanks to our favorite nun. I'm sure she is having a ball up there. Heaven will never be the same!



Kate, Sr. Kieran, Andrew and Kathy



Andrew and Sr. Kieran

Client Corner – Mike

Mike is a perpetually "glass is half full" kind of guy. Compassionate and loyal, his joie de vivre attitude about life makes him an enjoyable guy to be around.

Growing up in Midway, near Burien and the airport he reminisces about a simpler time when kids left the house in the morning, road bikes all day and came home at dinner time. He and his young buddies often biked to the airport to watch movies and the Spanish Castle Ballroom when people danced weekly and bands like the Wailers played.

He clearly respected his parents who were hard working blue collar folks. As a result of his Dad's passion for cars, Mike's life-long interest was born. From his Mother, he learned to be happy with what you have – some people have a lot more and some people have nothing. To this day, it's Mike's first philosophy for a good life.

He married and divorced his high school sweetheart and helped raise his two daughters. Retired from the phone company after 33 years, Mike is grateful for the opportunities and skills it afforded him. He has amassed an amazing tool chest and built a workshop that provides him and his friends the opportunity to spend time together working on and restoring cars which leads us to Mike's second philosophy. "You have

to have a hobby or you're going to sit and watch the Mariner's and die". His number one hobby is working on and showing his 4 collector cars including the recent purchase of a '56 Chevy because "it was the car everyone wanted when I was a kid".

His friends tell him he is the "nicest guy you'd ever want to meet". Maybe that's because the third philosophy he lives by is "A person has to be a good friend to have good friends – the kind of friend someone can call to get help, who doesn't ask "why" but "where are you and when should I be there".

He hopes to live long enough to give his car collection away to his treasured grandchildren. His 4 year old grandson, Leif, already has his eye on Mike's '29 and often reminds him, "bring the black one Grandpa" when he has pick-up duty. With that in mind, I thought he might want the kids to keep the cars and treasure them as he has. He disagreed. "I don't care what they do with them. If they need money for college or something else, I hope they sell them." And, he was truly good with that because he's just that sort of guy.



'56 Chevy



Mike and Leif