

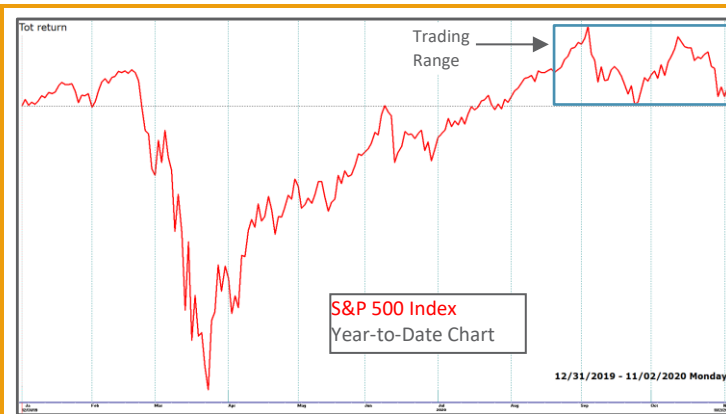


RGB Perspectives

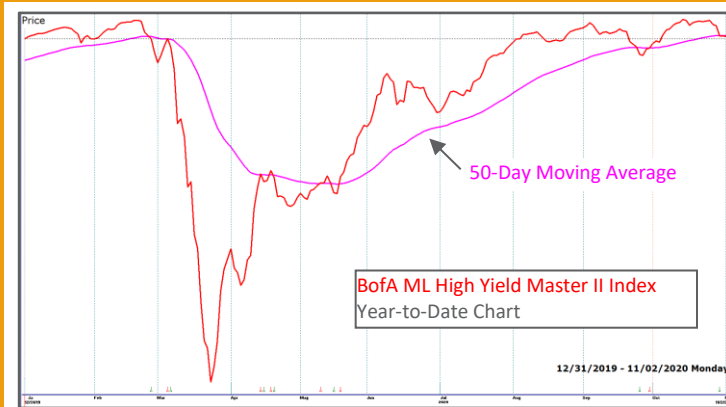
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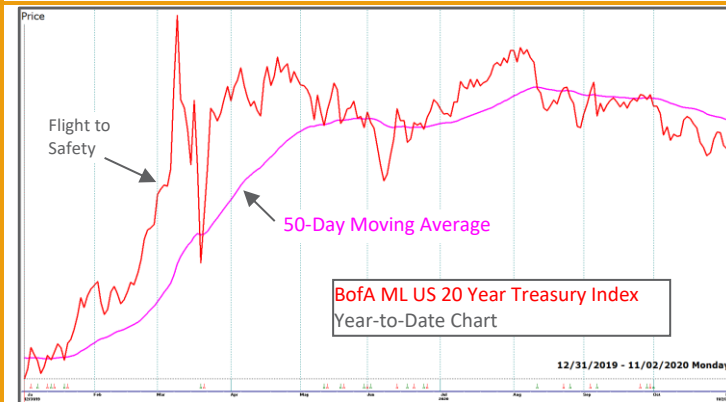
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The **S&P 500 Index** finished a volatile October down -2.8% and is now resting near the bottom of a wide (approximately 10%) trading range. This trading range represents the short-term uncertainty facing investors in the current market. Once the Presidential and Congressional results are available (hopefully within a day or two), investors will be able to align their portfolios based on the results of the election. At this point, I do not see any long-term implications of this short-term volatility.



When investors are concerned about the long-term economic outlook, they tend to sell all risk assets, including junk bonds. The **BofA ML High Yield Master II Index** (junk bond index) declined a little over the last week (about 1%) but I don't see the type of selling that represents the potential for a protracted decline in the market. Comparing last week's decline to the decline earlier this year helps put the recent bit of volatility into perspective. The BofA ML High Yield Master II Index ended the month up about 0.5%.



When risk is elevated, investors generally move to the safety of US Treasuries, driving US Treasury yields down and prices higher. However, we are not seeing that in the **BofA ML US 20-Year Treasury Index**. In fact, the index, which tracks treasury bond prices, moved down over the last two months and is certainly not reflecting an environment of elevated risk. Note the strong surge in the BofA ML US 20-Year Treasury Index earlier this year. This is what a flight to safety looks like.

While we do not know what the future holds, most of the indicators that I track are not indicating a long-term, protracted decline. I suspect the short-term uncertainty we have experienced since early September may begin to resolve itself once the election results are known. A disputed election could certainly lead to some continued volatility, but there will be a result at some point, at which time investors will be able to focus on factors that drive market performance. In fact, we are entering a seasonably favorable time of year for the stock market which bodes well for the remainder of the year.

The RGB Capital Group investment strategies remain invested. The Core strategies continue to hold low volatility funds that reflect a fraction of the risk when compared to the major equity indices. The Flex+ strategy, which currently maintains a similar risk level to that of the equity market, has declined in line with the overall equity markets. The Balanced strategies, which are comprised of both the Core and Flex+ strategies, continues to reflect below market volatility. While I believe the recent volatility is temporary, I will not hesitate to adjust our portfolios if our strategy indicators suggest a more protracted decline.

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