2017 A Banner Year

2017 was a banner year for The Panopoulos Group Inc. **(TPG).** We incorporated in January, created a Registered Investment Advisor in March and transitioned our clients to a new custodian, TD Ameritrade, in April and the ensuing months. I should mention that TPG regularly does due diligence on other custodians and clearing firms to determine if any changes or improvements can be made.

2017 was also a banner year for the stock market with the S&P 500 up just shy of +20%. This was one of those years that most could not afford to miss, and I'm glad to report that TPG did not. Many money managers did not identify how under bought the market was in 2016; therefore, were not allocated properly and woefully underperformed for the balance of the year. Many more were stubborn to their allocation to a fault, refusing to change when necessary, and ended the year with negative returns! The sad thing is that many of these managers are frequent commentators on TV financial channels, reaching large audiences, and harming Americans.

Our proprietary **Maverick Momentum Models (MMM)** performed very well in 2017, beating the benchmark in all categories. The four models ranged from +23.3% to +44% net of fees (individual account performance may vary do to account size, different start dates, cash deposits and withdrawals, etc.). What makes the performance even more impressive is that the models were not invested (at risk of losing value) in securities 100% of the year; therefore the overall risk was lower than the benchmark.

2018 Outlook

What should we expect for 2018? **More of the same and probably a little different.** The current economic expansion is more than twice the duration of average expansions and the bull market is almost 9 years old, a milestone that has been reached by only one other since WWII. Bull markets however don't die of old age, they die out of fear, and what they fear most is recession.

Most economists are predicting modest GDP growth and many market forecasters are predicting mid-single digit growth for the S&P 500. With no recession on the horizon, favorable global economic growth, U.S. tax cuts, and foreign earnings repatriation, I believe that these economists and forecasters could be underestimating potential growth. I do not forecast market moves; rather, I look for strong momentum trends developing in specific sectors and then buy low cost ETFs (exchange traded funds) or individual equities that invest in those sectors.

To start the year, the same trends we ended 2017 with still apply. The sectors that TPG invested in; Technology, Financials, and Consumer Discretionary all continue with high momentum and reasonable valuations. As the year unfolds Healthcare, Industrials, Materials, U.S. Small Caps and Emerging Market stocks may find a place in our portfolios.

The largest risk I see to 2018 returns is the uncertainty associated with it being a mid-term election year. Regardless of one's political affiliation, the fact is that the Republicans control the House and Senate. If the current congressional makeup changes and the Republicans lose their majority in either branch, it could create a selloff in the markets. What would happen to the campaign promises to raise infrastructure spending and reduce regulatory pressures? This uncertainty could create negative headlines, most likely increasing the level of volatility from the past two years.

We have not had one 5% selloff in 2017. Normally we have two 5% selloffs and one 10% selloff in a given year. Managing these potential selloffs will be a challenge to be sure, but is precisely why I created the MMM portfolios. We understand behavioral finance. We know when to **buy and sell**. We have a process for decision making that is void of emotion, allowing us to capture **growth** to the upside and **protect** portfolios from downside risk.

Warmest Regards,

George Panopoulos

www.thepanopoulosgroup.com