

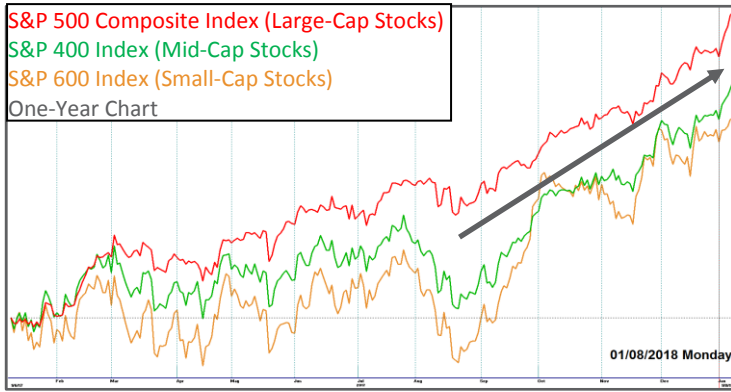


RGB Perspectives

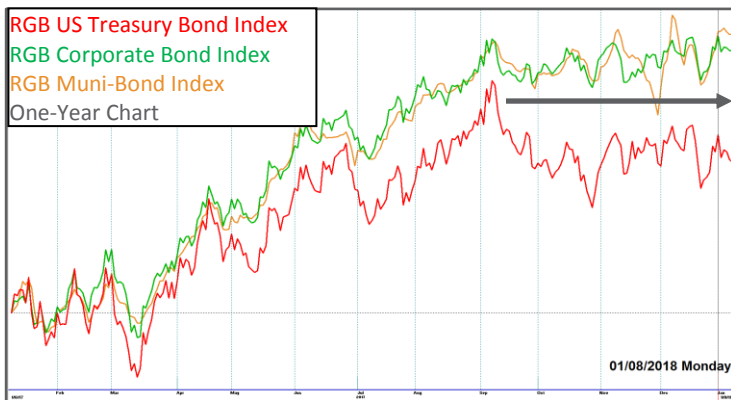
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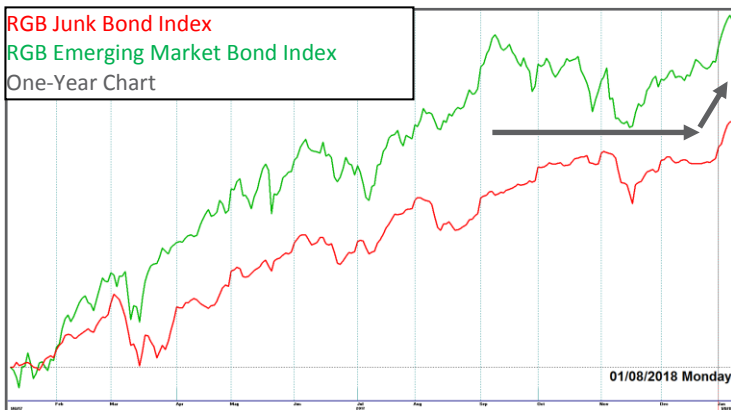
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Small-, medium-, and large-cap stocks are trending up. The uptrends that started last year have continued into 2018 with most of the major equity indices closing at or near all-time highs today.



While equities climbed higher, most interest rate sensitive bond funds moved sideways. US Treasuries, corporate bonds and municipal bonds are all about the same level they were at in the beginning of September. There is no indication that interest rate sensitive bonds have topped, but that is something that I will be watching for. We need to be open to the idea that the long-term run in interest rate sensitive bonds may be coming to an end.



Economic sensitive bonds, like junk bonds and emerging market bonds, trended sideways over the last several months of 2017 but have surged higher during the first week of January. Junk bonds and emerging market bonds are influenced by interest rates, but are also sensitive to overall economic conditions. Investors are showing confidence in the current economic environment.

Over the last four months of 2017, I reduced our exposure to bond and strategic income funds as they flattened out and increased our exposure to equities. As a result, volatility of the models is slightly higher than it has been over the last year given higher level of equity exposure, but the volatility remains less than the broader market. With the slight increase in volatility I have reduced our margin levels in our taxable accounts. This strategic shift in portfolio holdings provided a strong finish to the year, in particular for the Flexible models, and has provided a solid start to 2018 for all the RGB Capital Group model portfolios.

The low volatility uptrend in the markets will not last forever. At some point, volatility will return to the markets and downside risk will increase. I will continue to monitor the market environment and take appropriate action when it happens, but until then let's enjoy the ride.

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