RGB Perspectives

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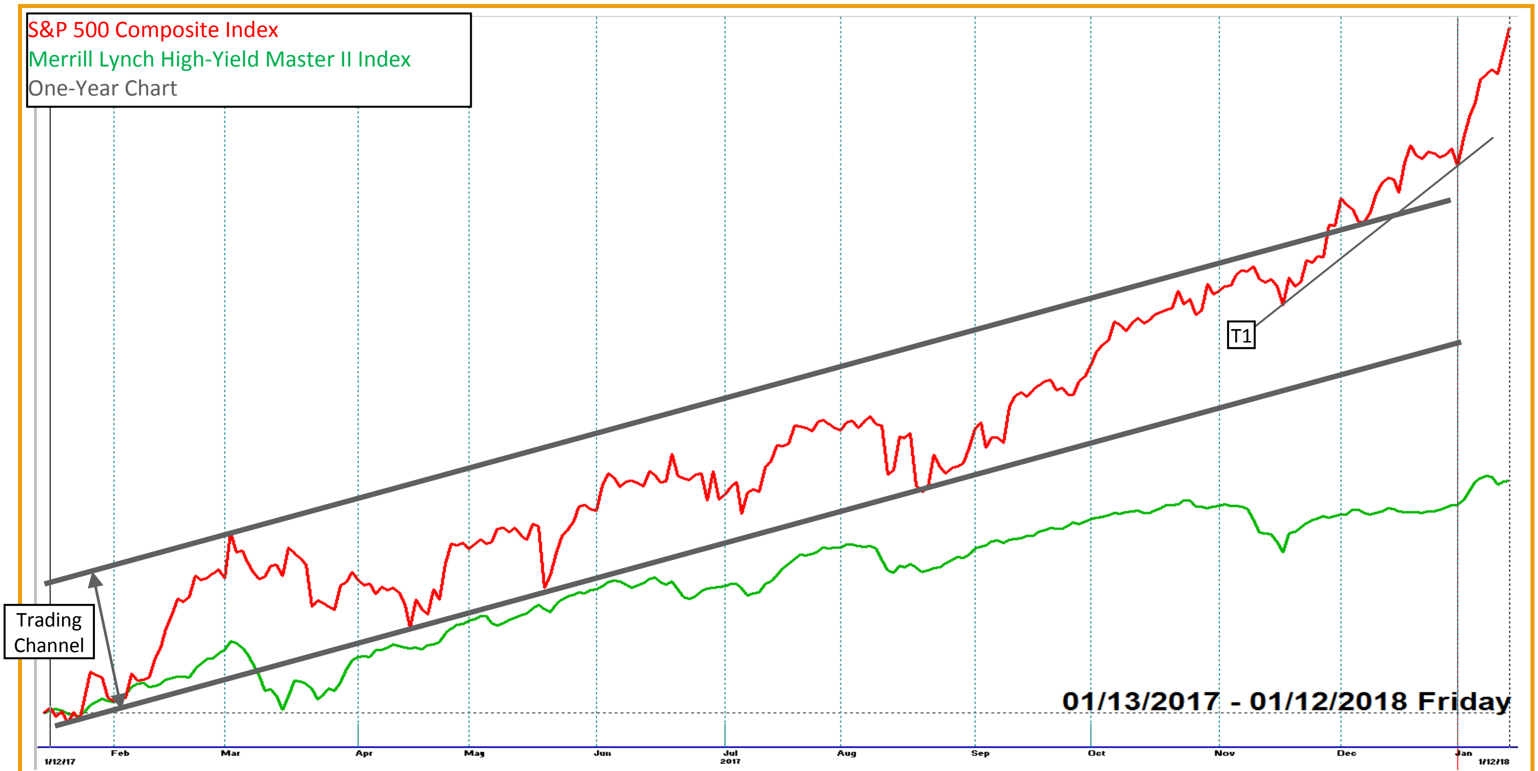

The S&P 500 spent most of the last year within an upward sloping trading channel. The slope of the uptrend channel is about 15% annualized. However, late last year, the trend of the S&P 500 accelerated to the upside with a significant breakout through the top of the channel. The recent trend (T1) is strong at about 45% annualized rate of return. The reason for the surge can partly be attributed to the signing of significant tax reform legislation that is considered business friendly. In addition, I believe there is organic strength in the economy created by underlining demand for goods and services, and less reliance on easy money from the Federal Reserve.

Junk bonds, on the other hand, have flattened out considerably over the last several months. Junk bonds are influenced by overall economic conditions, but are also influenced by interest rates. The rising interest rate environment is creating a headwind for junk bonds which is likely to dampen junk bond returns in the near term.

Certain commodity groups (not shown on chart), including energy and non-precious metals, are also in strong uptrends. Commodity groups typically provide strong returns once the economy gathers some momentum as demand for commodities increases.

The RGB Capital Group models are fully invested with a significant allocation to equities. The Flexible models (both levered and unlevered) are designed to take on additional risk in positive market environments and therefore have a higher allocation to equities than the RGB Conservative models. In addition, I started to allocate a portion of the Flexible models to certain commodity groups at the end of last year. All models have benefited from the recent surge in the market with strong gains to start the new year. As you might expect, the Flexible models are up more than the Conservative models. The current market trends will change at some point in the future and I will do my best to identify that change and take appropriate action to protect our capital when the changes occur.