VALUE FINANCIAL ADVISERS, INC.

Financial Quarterly

February 2018

A Change to our Quarterly Newsletter – Etc.

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Long time recipients will quickly notice this publication is ½ the size it has been for decades. A simple explanation: we're trying to be more efficient. In addition to this 'physical' publication, both Bill Mason and Scott Taylor have for years sent separate and electronic communications to their clients and others. Starting this month they will no longer write for this Newsletter, but will continue with their other pieces. Those of you who wish to continue to hear from them can let them know:

BillM@Valuefin.com
Scott@Valuefin.com

We began writing and mailing these Newsletters January 1991 and have done so every calendar quarter since. In those days we were sponsoring our Saturday Radio Show. Many of you learned of us by listening and signed up to receive this as a result. In those days we also held Seminars and Workshops as often as we thought we had meaningful things to say. Many of our current clients met us through those face-to-face events.

Bill, Scott and I have been Investment Advisers for a long time, each of us over 30 years with this firm, plus our most recent addition, Phillip, with a decade of experience. While many things have changed over that time, much has remained essentially the same. One of those is that we do not treat our writings as solicitations. We write and send to you our thoughts as they are, not based on trying to sell something.

We are independent and like it that way. We don't work for any insurance company or mutual fund who might encourage (or demand) us to use specific investment products. In this process we are able to work exactly as our experience and conscience wishes, un-fettered by conflicts of interest. If our approach strikes a chord with a reader they can reach out for a no obligation appointment where you and us can try to determine if a long-term relationship seems likely. If not, we are happy to continue to write and forward our thoughts free of charge to anyone who feels they are helpful.

A few additional points:
If you no longer wish to receive our Newsletter, please let us know and we'll remove you from our list. Call Jan @ (303) 770-3030 or email her @ jan@valuefin.com.

If you'd prefer to receive an email with a link instead of a physical copy, contact Jan.

Thanks so very much to all of our faithful readers. When we do hear feedback from you it is almost always positive – that makes us feel good. We will continue to write as long as we have something important to say and valued investors who wish to hear it.

Wishing you a very prosperous 2018 !

Emotions and Momentum

Phillip Haydn Connors
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Humans are partly emotional creatures by nature. It drives many of the decisions we make on a daily basis, often made quickly to satisfy our emotional concerns about recent events.

One of the first things I remember hearing when I got into the Investment business was NOT to make emotional decisions regarding money or investments. (I'm pretty sure Michael Douglas made a reference to this as well in the movie Wall Street.) Short term emotion-driven actions can severely impact long term results, usually negatively. This tenet is often one of the biggest reasons people hire an adviser to handle their money. The adviser is expected to be more rational, look at the long term picture, and not buy and sell based on current emotions, market volatility or momentum.

The recent momentum in the stock and bond markets, we feel, is based primarily on investors' emotions rather than fundamentals. Investors see the market hitting all-time highs, and those not fully invested become concerned their portfolios are earning less than their peers. They feel the need to jump in. As more investors do, the more momentum picks up. It's F.O.M.O. (fear of missing out).

However, history suggests momentum by itself is a bad reason to invest. Momentum can shift on a dime, and what was moving up can quickly move in the opposite direction. The emotions that drove investors to buy will just as surely cause them to panic and sell. It's what causes people to ' buy high and sell low .' If enough investors sell, a correction (or more) will follow.

In our portfolio management process we focus on fundamentals, not momentum. As a firm we have been wary of the financial markets for quite some time. The P/E of the U.S. stock market is at record levels as are bond prices. Variables, such as what the FED is going to do with interest rates need to also be taken into consideration.

Now that we are starting to see upward movement in interest rates, those 'fully invested bears' are more likely to cash in their gains and move to other more conservative assets. This could trigger a momentum shift that would wipe out much of the paper gains investors have made up to this point.

If you have concerns about your portfolio being under OR over invested in stocks or bonds at this point, please feel free to give us a call.

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