Goldman Lancaster , Inc.

A Registered Investment Advisor

THE FOUNTAINHEAD(?)

HELPING BUSY PEOPLE MAKE SMART FINANCIAL DECISIONS

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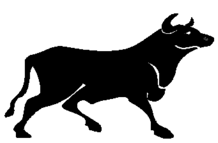
Fourth Quarter Summary

Winter 2018

Last year was a reminder of how unpredictable markets can be. In January, with corporate tax cuts codified, the narrative was that the outlook for U.S. stocks was great. Aside from a painful and temporary February disruption, the optimism continued as the S&P 500 hit a record high in September. Apple and Amazon become the first publicly traded American companies to be valued at more than $1 trillion. Unfortunately, 2018 was also turbulent, with markets falling sharply at the end of the year. You have to go back to 1931 to find a December that was worse than what we just endured. In one month's time, the S&P 500 dropped 15% and volatility more than doubled. The major indices suffered their worst quarterly declines in roughly a decade. The Russell 2000 (small domestic companies), the tech heavy NASDAQ, and foreign markets all fell more than 20% below previous highs and into bear market territory. (The S&P 500 avoided a bear market on a technicality. Intraday, it was down more than 20% from the high, but closed just slightly above that figure. So, I guess we can say that the bull market is still rolling?) It was also an especially volatile year compared to recent history, with the S&P 500 recording intraday swings of more than 3% 10 times. Investor sentiment was negative throughout most of the 4th quarter, but the reasons for the discontent appeared to shift markedly after the first month. Early in the quarter, it was fears of the economy overheating and forcing the Federal Reserve into a more restrictive monetary policy. At the start of October, stock prices fell as longer-term bond yields jumped, with the yield on the benchmark 10-year Treasury note reaching 3.25%, its highest level since the summer of 2011. However, yields soon reversed course in conjunction with a suddenly more negative economic outlook caused by a rat's nest of concerns: slowing economic and earnings growth, trade issues, Brexit, the Italian budget stalemate, falling oil prices, political dysfunction and uncertain Federal Reserve policy.



4th Quarter Summary

Total Return %

	3 month	12 months
S&P 500	-13.5%	-4.4%
Nasdaq Composite	-17.5%	-3.9%
Russell 2000	-20.2%	-11.0%
MSCI EAFE	-12.5%	-13.4%
MSCI Emerging Markets	-7.4%	-14.2%
Barclays U.S. Aggregate	+1.6%	+0.0%
Barclays High Yield	-4.5%	-2.1%

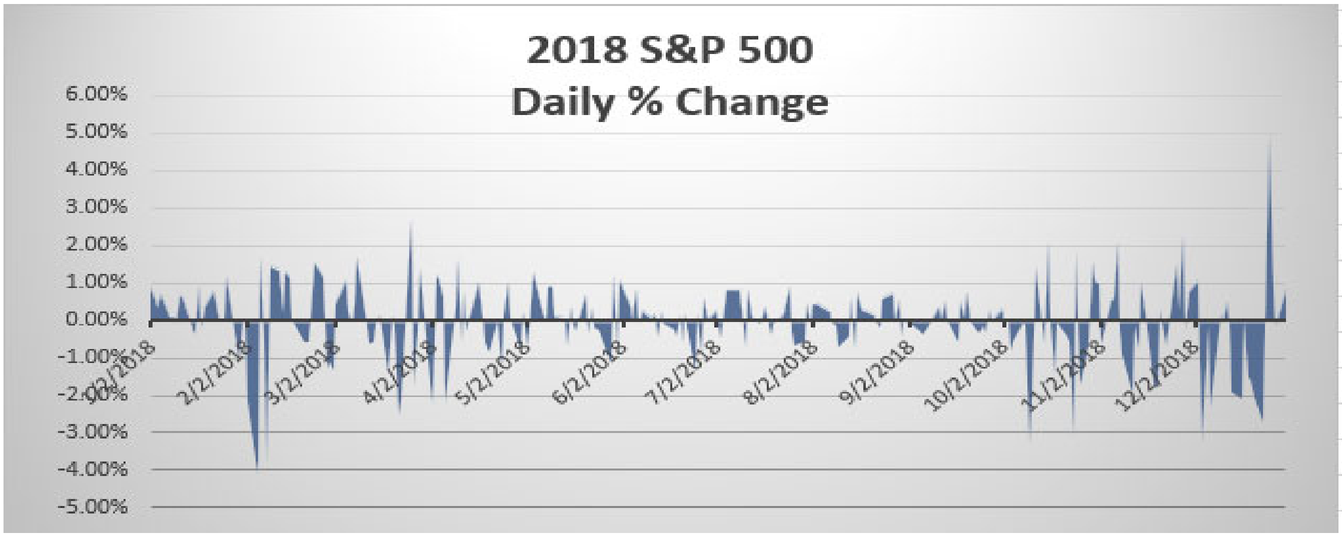
Treasury Bond Rates	12/31/18	12/29/17
2 year	2.63%	1.76%
10 year	2.69%	2.40%

Source: US Treasury, LPL Financial Research) Indices cannot be invested into directly. Past results are no guarantee of future performance

All asset classes had negative or minimal returns in 2018. Consequently, it was a difficult year for a balanced portfolio. U.S. stocks were the primary driver of returns in diversified portfolios for the first three quarters of the year. But, while the S&P 500 Index went up, almost everything else went down. Foreign equities, particularly emerging markets, were significant drags on performance. In addition, rising interest rates were contributing to one of the worst years for the Barclays U.S. Aggregate Index in history until rates dropped late in the year as inflation fears declined. As a result, the Treasury bond market eked out a small return, but lower quality bonds were negative as spreads widened considerably on economic concerns. For the first time since 2008, cash out-performed every other major asset class.

While fundamentals remain robust, we're undeniably late in the economic cycle after an extended run. It's only natural that uncertainties take center stage and investors demand a larger premium to hold riskier assets. I expect more volatility in 2019 but, absent unknowable exogenous factors, also reasonable market returns. One thing for sure, equities are now lower priced and a better bargain than 3 months ago.

The Ability to Keep Your Head when Others are Losing Theirs is a Superpower!



2018 had many of the elements of a horrible market year. Although, that seems like an overreaction. Admittedly, a down year, but a small enough loss to hardly bruise a balanced portfolio. Of the 251 trading days last year, 132 were negative and 119 were positive. Of note, there were 64 days when the S&P 500 moved more than 1%, equally split between positive and negative. (It would be interesting to research how many times volatility was that symmetrical.) More painfully, there were 5 days when the market closed down more than 3%. (A 3% daily move is almost a 3 standard deviation event. Theory tells us that fluctuations of that magnitude should be rare. And 5 times in one year, rarer still!) Given what we know about "recency bias", it's not surprising that 2018 damaged investors' psyches since most of the big down moves clustered in the 4th quarter. The real problem is that 2018 followed 2017, one of the mellowest years of all time. The change of pace was shocking. The markets were so calm in 2017 that only 4 days had losses greater than 1%. The worst day in 2017 was a -1.8%. That was less than half as bad as the worst day of 2018 when the market was down 4.1% on February 5th. We know that volatility tends to cluster because it's easier for investors to panic when markets are going down. (Or maybe I should say, markets have an easier time going down when investors are panicking.) And often, there isn't a recognizable catalyst for the change in outlook. Macroeconomic and business conditions change at a glacial pace. Yet markets can oscillate wildly with expectations changing radically even though fundamentals haven't. Consequently, daily moves are unpredictable. Despite the narrative created by the financial media and legion of Wall Street talking heads, I'm convinced short-term market fluctuation is completely random, unexplainable and meaningless. There really wasn't a good reason for stocks to fall last quarter. Just like there wasn't a good reason for them to rise so much in 2017. If I'm right and short-term market oscillations are random, then they are also unpredictable. What's an investor to do in a world of daily moves that make no sense? My advice is to have a balanced portfolio with a cushion of less volatile assets that seek to meet your income needs for a few years and then ignore all of the daily noise.

"Efficient markets does not mean that the price of every security at every moment in time is correct. In fact, prices are always wrong. Let's say that stocks are valued… as the present value of all of the dividends you expect to receive from them in the future. Well, that's the key element. It's in the future. I guess it was Yogi Berra and lots of other people have said, "It's hard to make predictions, especially about the future." And so prices are always going to be wrong. And the problem is we don't know at any time whether they're too high or too low."

Burton Malkiel

I Actually Read it Somewhere

Golf Digest

Jordan Spieth made 98.78% of putts from three feet. It might sound good, but it actually ranked 181st on tour last year.

James Corden

"According to a recent study, the average cellphone is nearly seven times dirtier than a toilet. Yeah, it's true. Although there's an easy solution: Just rinse off your phone in the toilet." "What exactly am I supposed to do with this information? What do you want me to do, stop using my phone or stop cleaning my toilet?"

By the Numbers 12/3/18

When President Franklin D. Roosevelt proposed the Social Security retirement program in 1935, FDR's financial people projected that total Social Security expenditures would reach $1.3 billion in 1980. The actual Social Security outlays in 1980 were $149 billion. Thus, the analysts' 1935 estimate represented less than 1% of actual 1980 Social Security expenditures.

By the Numbers-1/22/19

Of the 150.3 million tax returns filed in tax year 2016, l50.2 million legally did not pay any federal income tax. The remaining 100.1 million tax returns paid $1.45 trillion of federal income tax. 5% of the returns reported adjusted gross income of at least $200,000, received 35% of all AGI and paid 58% of all federal income tax.

NY Times 10/4/18

On Wednesday, someone paid a record $1.1 million for a 750-milliliter bottle of single malt whisky described as "the Holy Grail" of the dark alcoholic spirit. The 60-year-old Macallan Valerio Adami 1926 is "one of the rarest and most desirable bottles ever produced. David Robertson, a master distiller at the Macallan said "It would be great to think that the whisky could be opened by the buyer," "That is what it was produced for. But for some people, opening a $1.1 million bottle of whisky is quite a big decision."

Things That Probably Only Brad Cares About

I've never been on a cruise. It just didn't seem like my kind of thing. The lack of spontaneity has always been a drawback. I also don't like crowds and organized activities of any type. But, after years of seeing the Viking advertisements, I became intrigued with the idea of a lazy Danube river cruise. I haven't spent much time in Eastern Europe and a cruise would be a way to travel with the Little Princess without me having to schlep her overpacked luggage from place to place. I've also never been to Europe with Maureen without having to spend a lot of time looking at ancient ruins. (See one ancient site and you've seen them all.) Erroneously I thought, and I'm now embarrassed about my ignorance, that we would be far enough north to avoid anything Roman. Much to my chagrin, it turns out that the Danube was the northern frontier of the Roman empire and is absolutely littered with ancient sites! Aside from avoiding ruins and relief from dealing with Maureen's luggage, my fantasy was sailing the Danube in grand style viewing castles from our stateroom veranda while obsequious servants brought a constant stream of snacks and aperitifs. Wrong on all counts! Bulwarked by my ignorance, we planned an October trip with 2 friends that roughly coincided with our milestone birthdays. The cruise was bracketed by a few days in Prague and a final four days in Budapest. Prague is a beautiful city filled with medieval and baroque atmosphere. We stayed in a very nice hotel that was previously an old monastery and spent 3 days walking around the city. To me, one of the pleasures of visiting Europe is being in the actual spot of major historical events. Standing in the place where the defenestration of Prague occurred or the crypt where the Heydrich assassins were cornered really brings to life events that I've only read about. The cruise part of our trip began in Nuremburg. Unfortunately, Europe in 2018 was in the middle of an historic drought. That's a BIG problem for a river cruise. In fact, such a problem, that our romantic Danube river cruise morphed into a river cruise by motor coach. We had a few days on the river, primarily Nuremburg to Regensburg, but mostly we were bused from stranded boat to stranded boat for evening meals and sleep. That created a major disturbance amongst the females of our little group because they

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compulsively unpacked their suitcases, necessitating an equal amount of repacking, with every room change . (My system is never unpack. Clean clothes in the suitcase and dirty clothes on the floor.) Anyway, always having to change boats, with the ensuing packing drama, was just another source of irritation. However, there were compensatory factors. Our fellow passengers were mostly an older crowd, even relative to me. Given the demographics, the stampede to get off the bus and into a roadside restroom after a 90 minute ride was the highlight of every bus ride. And, since free bathrooms in Eastern Europe are as rare as unicorns, dealing with the gate technology and currency conversion often created massive bottlenecks of befuddled oldsters. So, the amount of actual cruising on the river was very limited, and got less as the trip progressed. Our final cruise was from Krem to Vienna, unfortunately at night, where we stayed for 1 day before being bused to Budapest. There was no way the Little Princess was tolerating another 1 night boat stay, and since we had planned to finish our trip at the Four Seasons across from the Chain Bridge, it was simple, albeit expensive, to add an extra day. Budapest is a beautiful neo-gothic city that I highly recommend even if you don't stay at the Four Seasons. However, avoid the "mineral baths" that everyone raves about. Similar to an underground water park as if designed by a Soviet commissar, it was a creepy and disgusting experience. And I say that as someone who was on a high school swim team! All things considered, the cruise was enjoyable, but I'm not in a hurry to do it again.

Business Philosophy:

Our objective is to make working with us a pleasant as well as rewarding experience

..# We take our responsibilities seriously

..# We return calls promptly

..# We're nice when someone does call

..# We don't lie or mislead

..# We do what we say we're going to do.

..# We're knowledgeable and current in our discipline

..# We admit (infrequent) mistakes and do our best to right the wrong

..# We listen to suggestions and take them seriously

..# We work in your best interest in the most straightforward and transparent way possible

Thank You ! !

Special thanks to the following people for referring their friends, family and associates

Michael Milenski

Please notify me in writing if you would like a hard copy of our full ADV part 2A brochure or if there are any changes to your financial situation or investment objectives