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Investment Strategy Update **Third Quarter 2018**

Concerns about a worldwide trade war, has become the primary concern, overshadowing improving world economies. In this environment, the recent market volatility may allow us to shift to a somewhat more aggressive asset allocation relative to each client's personal benchmark, based on market valuations.

Robin Smith, CFA, CFS, EA

We are currently maintaining a modestly aggressive asset allocation, when compared to each client's personal benchmark. This action is based on continued world economic expansion, driven by technological advancement in an environment of low inflation and low interest rates. These positive factors are supported by recent improvement in equity valuations, tax relief and regulatory reform here in the United States, combined with major improvement taking place in the standard of living for residents of developing countries.

Frequently these positive factors, which have the potential to extend the current bull market significantly, become overshadowed by short term factors such as the fear of a worldwide trade war. So long as these short term negatives do not materially risk the positive long term factors that we see, we will maintain our focus our long term approach to investing for our clients.

The broader U.S. Equity market has once again returned to the bottom of its recently established trading range. Current market valuations have moved closer to long term historical levels, in an environment of more normal levels of volatility. The important fact is that world economies remain strong and continue to benefit from the other positive factors listed above. As long as the potential for a world trade war remains a short term risk that does not meaningfully jeopardize the long term positive outlook that we see for investors, we will maintain our modestly aggressive posture relative to each client's benchmark investment strategy.

Our modestly aggressive asset allocation is based on continued world economic expansion, driven by technological advancement in an environment of low inflation and low interest rates. Fixed income investments favor short and intermediate term corporate and treasury bonds.

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