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The celebratory fireworks of the season will have a slightly more epic grandeur to their illuminations this Independence Day. The burnt fingers from prematurely detonated Black Cats will sing ever so slightly less. The mysterious ingredients of billions of hot dogs consumed will be that much more satisfying. OK, billions of hot dogs consumed may be a little much, but not necessarily too far-fetched. That's only 3 hot dogs apiece for each of us 330 million Americans to consume. Is it really that far-fetched if we worked together? We all collectively worked to make this the longest economic expansion in our great nation's history; we've earned those three hot dogs apiece, so let's grow our waistlines a little too in celebration.

So is this really as good as it gets? That just feels wrong, doesn't it? It feels like we've had far more impressive periods of growth in our past. What about the champagne-soaked golden era of the 1920's, full of flappers and F. Scott Fitzgerald? Nope, that party petered out far more quickly. How about the period of growth that encapsulated the near entirety of the 1960's? This period culminated in the successful landing of a man on the moon, which is also celebrating its fiftieth anniversary this month. Doesn't feel comparable to that decade either, but the swingin' 60's economic momentum ceased to swing this long as well. Until now, the 1990's held the crown for the longest period of sustained economic growth ever. Step aside 1990's, and take your boy bands and the collapse of the Soviet Union with you to the second-place podium; Our economy has now officially grown for 10 consecutive years. Unmatched in the history of our republic. Why does that just sound off?

The fact that it doesn't feel like the "best of times" is exactly what allows it to continue

to be the "best of times." Sustained periods of economic growth don't just wear down and peter out. Shocks and the bursting of bubbles knock them off course. Think of the housing bubble of the 2000's, technology stocks in the 90's, banks in the 80's, oil in the 70's, or even tulips in Holland 400 years ago. The point is, a bubble always forms due to irrational exuberance under false assumptions that some market will only continue to march higher. Just like the coming of age adolescent mandate of jumping out of a

Longer, Not Stronger: Different Eras of Growth

Time Period	Length	Annual Growth	Total Economic Growth
2009-Current	120+ months and still going strong	2.2%	24.8%
1991-2001	120 months	3.5%	42.6%
1961-1969	106 months	4.8%	52%
Average in Modern Era	81 months	4.3%	24.7%

tree with an umbrella, falsely assuming you will glide harmlessly to earth, the repetitive failure to recognize the laws of physics still matter (not just for gravity, but also investments) has been a human frailty since the dawn of time.

The difference now is the complete lack of exuberance and momentum of this historic economic expansion. As graphed, the overall growth rate and the annualized expansion of our economy have been extremely weak compared to the above-mentioned periods of prolonged growth. Within this weakness lies our salvation. The economic momentum now is burning less brightly than prior periods, but in many ways, this allows the upward trend to continue longer as the risk of burning white hot and fizzling out is reduced. Let's briefly look at the good, the bad, and the ugly of this economic expansion, focusing on the components we believe will have significant bearing on markets moving forward:

The Good

- More than 20 million jobs have been created in the United States economy since this economic expansion began in 2009, and the net worth of American households has increased by \$47 trillion. Amazingly, there are now 1.6 million more unfilled job openings in the economy than unemployed Americans looking for jobs. An all-time record.
- Corporate cash-reserves are high and household debt ratios are low, signaling prudence and restraint pertaining to spending. Because corporations are not leveraged dramatically, and individuals are not up to their eye-balls in credit card debt, we are collectively well positioned to handle periods of increased volatility. For lack of a better term, we have dry powder in reserve and it's proved its effectiveness during this prolonged expansion. A lot has occurred to spook markets over the last decade. Political infighting, trade wars, the Japanese tsunami & ensuing nuclear crisis, the U.S. debt downgrade, the largest 1-day point drop for the Dow Jones ever, the worst January for markets on record, the British decision to leave the European Union (Brexit), the European Union Crisis Part II, the European Crisis Part III, and the European Union Crisis Part IV: Return of the European Union Crisis have all raised market anxieties. It hasn't been all rainbows and puppy dogs during the last 10 years. Markets have fallen by 15% or more on five separate occasions. The point is, we've been well positioned to keep these momentary bouts of volatility from turning in to sustained market and economic catastrophes.

The Bad

- The separation between the "haves and have nots" has become significantly more pronounced during the last decade. Do not misconstrue this as some "political rant" as politics has no place in prudent portfolio management. Democrats and Republicans both have their own reasons that they blame for this phenomena. The objective fact is that it is occurring and that is a bad thing. The size and strength of the middle-class has always been the key indicator of a society's underlying strength and the middle-class has eroded during this period of sustained economic growth – this is an issue that cannot be overlooked.
- Government Budget deficits have ballooned over the past decade. Again, both political parties fail to take this seriously as it's a problem that can continue for some time to be kicked down the road before truly manifesting itself. Akin to eating fast-food daily, it really isn't that big of a problem until you have that massive heart-attack and then it becomes a very serious and very life-threatening problem. The longer-term consequences for future generations could be severe.
- Central banks around the world have been extremely supportive of investment markets. Using the most recent volatility as an example, the United States Federal Reserve said they would be willing to lower interest rates quickly if economic data softens considerably. This accommodative stance has led to historically low interest rates. Over \$13 trillion worth of global debt is currently yielding a negative interest rate. That simply doesn't make sense to us. For example, the 10-year German government bond is

currently yielding -0.27%. So, if you loan the German government \$1 million dollars, you are paying the German government an additional \$2,700 annually for the honor of lending them money. It feels wrong and it is wrong – something's going to have to give.

- Cybersecurity – When this expansion began the smart phone was less than two years old. The digitalization of the world has led to many improvements in efficiencies but has increased risk dramatically to global supply chains if some lapse in connectivity occurred. This could come in the form of a malicious attack or an unintended accident. Trade wars, or even real wars, have happened before. We've never experienced a prolonged period of technological disconnection in such a connected global economy. This type of disruption is an unknown and scary prospect for the global economy.

The Ugly

- Investors continue to let headlines drive investment decision-making instead of focusing on their particular needs and circumstances. Big point swings in the markets sound scary, but they always have and always will happen. Historically, the market experiences a 2% or greater drop in any one trading day every 6 weeks. That's 530 points for the Dow Jones at its current price. Don't be scared of big numbers. Yes, the prospect of a trade war sounds scary, and yes, there are plenty of things in this world to be fearful of. It is terrifying that China and Russia have both "modified" their laws to allow Vladimir Putin & Xi Jinping to be rulers for life. Do any of these circumstances really effect the unique situation of you and your family? Probably not.

So, that's what we think are the good, the bad, and the ugly of the last 10 years. Thanks for the history lesson, but what's going to happen tomorrow? First off, if anyone tells you they know what the future holds, they are either lying or cheating. Regardless of which sin they are selling you should run as fast as you can in the opposite direction. New market highs are always worth cheering, but keep in mind the limited movement overall in the stock market over the past 18 months. The first half of 2019 was the strongest start to the year for the S&P 500 since 1998. That's great, but it came on the heels of a weak prior year culminating in the worst December for stocks since 1931. For our discretionarily managed accounts, we recently reduced risk. Not because we foresee darker clouds on the horizon, but rather to lock in recent gains. As the ever-reliable fortune cookie says, you will never go broke taking gains. During that extremely weak last quarter of 2018, our investment committee analyzed the situation and determined it was an appropriate moment to add broadly to more aggressive investments on a risk-adjusted basis. We didn't let fear drive our decision-making when things looked dark just like we won't let greed drive decision-making now as we recently locked in those gains amidst record-setting market and economic expansions. Enjoy the fireworks, celebrating these bests of times with the zeal of a young child, yet maintain the temperance of an adult capable of reading mid-year market commentary through to its completion (and thank you for that, by the way).

As always, thank you for your continued trust, confidence, and support in our investment process, long-term strategy and constant vigilance.