RIVERSIDE FINANCIAL GROUP, LLC

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Q 4 2017

From the desk of…

Charles E. Dear, CFP®, AIF®, *Advisor* *

Voicing Volatility Views

John Templeton, the legendary global investor and founder of Templeton Funds, was fond of saying, "Bull markets are born on pessimism, grow on skepticism, mature on optimism, and die on euphoria." After a uniquely strong 2017, during which the S&P 500 posted a positive gain in each of the 12 months, for the first time ever, where are we now on Templeton's bull market cycle? Our observations seem to indicate that we ended the year coming out of the skepticism phase, and are just now moving into the optimism phase. Accordingly, 2018 should deliver another positive year. However, the environment will be significantly more volatile, and investors will need to be globally diversified and less devoted to the well-loved technology names in order to achieve solid results.

The prevailing bearish view focuses on a number of legitimate, but not necessarily imminent, concerns. Based on our client conversations, the most common worry is high stock valuations – "nothing is cheap." Stock valuations are modestly high, but they are so in response to positive trends in corporate earnings and employment, lower corporate tax rates and cash repatriation incentives, and recent strength in previously lagging value sectors such as financials and energy. So, above trend-line valuations alone is not a sell signal, particularly if these positive trends fill in and sustain. The second most common concern is political unrest, both in Washington and around the world. While it is a reasonable concern, we remind our clients that a diversified portfolio of well-managed and profit-driven companies will outmaneuver bad politics.

In our view, a more tangible risk to the bull market cycle is higher interest rates and rising inflation, and most investors are unprepared for the rising rate possibility. Higher interest rates put downward pressure on stock valuations for many reasons. Wage growth (ultimately a positive event) and rising input prices cut into corporate profits. Furthermore, fixed income investments react negatively to higher rates. The most plausible scenario is that interest rates and inflation rise gradually. If so, the harm can be mitigated well enough by reducing exposure to debt, leverage, and fixed-yield investments, while favoring assets in sectors that are cash rich and have the ability to raise prices. If gradual becomes forceful, alternative investments would become useful.

The surprise in 2017 was not above average gains in global stocks, but rather the unprecedented absence of volatility. We expect volatility to return, ushered in perhaps by peaked stock valuations, political events, rising interest rates – or a combination of all. But a return to traditional levels is not a signal to sell, nor a reason to sit on the sidelines. Our view is that we are in the early stages of optimism, euphoria is a bit down the road. While we are confident that solid returns can be achieved in 2018, there is never a bad time to check the risk profile of your portfolio – and we offer the tools to do so.

New Performance Reporting Design

We are happy to introduce a new performance statement design intended to simplify and clarify the reporting of your portfolio results.

Please review the report and let us know if there is anything you would like to see on your report which is not currently there. Keep in mind, nothing changes with regards to your custodial statements at Charles Schwab or Pershing.

Thank you, as always, for your business and valuable input.

1st Q 2018 Conference Call Annoucement

Investment Outlook 2018
"Where to Find Value in a Pricey Market"

Please join Senior Advisor, Charlie Dear, CFP, AIF, in an interactive conference call discussing our investment policy team's outlook for 2018. With stock prices at all-time highs, economic growth rates uncertain, and political risk on the rise, the call is an excellent opportunity to make sense of it all. As always, the success of our conference calls is based largely on the participation of our invited guests; comments and questions are encouraged.

We try to limit the call to 45 minutes, including the popular Q&A portion.

Dates: Tuesday, February 6, at 5:00PM and Wednesday, February 7, at 7PM

Access: Call-in to 203-409-6262 and use code 1759 (prompt asks for a 3-digit code - please use 1759)

RSVP: We prefer you RSVP to one or the other date, but it is not necessary.
Feel free to share this announcement with friends and colleagues whom you believe could benefit from hearing more about this topic.

Thank you, and we look forward to your participation

From the desk of...

David Callahan

Happy YOU Year!

Most of us are familiar with New Year's resolutions. The annual ritual can be either wonderfully enriching or frustratingly fleeting. Below is a list of financial resolutions sure to improve your bottom line:

- Review recent tax law changes, identify any expected savings that may be put to good use.
- Challenge yourself to increase your contribution to employer-sponsored retirement plans by at least the increase in the cost of living.
- Collect more of your employer match. It's free money.
- Make IRA contributions as early in the year as possible.
- Grow Roth assets tax free.
- Check beneficiaries to ensure your legacy.
- Take prudent risks in your long-term investment accounts, look for growth.
- Review insurance coverages; property/casualty, life & health, long term care, disability.
- Organize your financial data and documentation on a digital platform or software app.
- Share important financial planning decisions with your spouse, conduct family meetings.
- Consider charitable gifting.
- Enjoy yourself, find time to jump the turnstile, refresh your spirit, find new joys.

Map it out, make a plan, resolve to get things going now – and let us help. It's why we're here.