



## 4th QUARTER 2019

January 7, 2020

Dear Friends and Financial Advisory Clients:

As we face the beginning of a new decade, particularly given the sudden and extreme elevation in tensions between the United States and Iran, it could be highly instructive to consider the conditions and financial market outlook we faced just one year ago to create some useful perspective.

At the start of last year, rapidly escalating trade tensions with China were a source of tremendous concern for many investors who, in some cases, fled financial markets for fear that a trade war might upend the domestic economy and take financial markets down in the process. Well, that is not exactly how things played out. Economic growth persisted, in spite of trade tensions and 2019 was one of the strongest years in American markets in two decades. In essence, financial markets took their primary cue from positive economic factors as opposed to geo-political ones.

With last year's perspective in place, we must consider how the United States is now facing potential military conflict with Iran that could change the backdrop that has been so conducive to a generally positive global economy. What comes next is highly uncertain. And it is in such ambiguous periods that day to day developments are more likely to trigger exaggerated reactions – good or bad – based upon an assumption that the direction things are going in any given moment is indicative of a trend that will continue to some inevitable end. That type of thinking can often lead investors to seize upon perceived “opportunity” or flee a perceived “hazard” that is not nearly as clear as the single moment in question might suggest.

Ironically, prior to recent events in Iraq and the rising tensions with Iran, as your investment advisory firm, we had already decided to make a mild adjustment in the coming weeks for many of our clients to a higher emphasis on more conservative value versus growth stocks. This transition is based on our sense of where more attractive valuations exist and other qualitative factors. If you do shortly see such reallocation in your accounts, at this point, it has nothing to do with current uncertainty. Rather, it is a function of carefully measured strategic adjustments planned well before recent conflicts had arisen.

Of course, the potential for a military conflict is not one that should be ignored. As trusted stewards of your investments, and as members of our society, we are certainly paying close attention to developments on the world stage. And, if we conclude that the environment has materially changed to necessitate additional steps, we will take them. But until then, let's not assume that today's trend is tomorrow's destination. Let's just keep our heads and step into the new decade with clarity of our goals, risk tolerance and determination to exercise poise regardless of circumstances.

Best Wishes,

A handwritten signature in black ink, appearing to read "Jeffrey C. Vahanian".

Jeffrey C. Vahanian, CFP®

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