WEALTH CARE LLC

Wealth Care LLC March 2017 Commentary

Investment Thoughts

We've had a nice upward run in the American stock market since February of 2016, which has accelerated since the election. Positive sentiment towards a profitable market was absent at the beginning of the bull run (of course), since it followed the "worst" January (2016) in decades. Jump forward to the election at which time it was widely predicted that the market would react badly to a Trump victory. Please understand that this is not political commentary, but market/sentiment commentary. Markets "climb a wall of worry", the best investing is when things look bad.

Now, sentiment is turning upward. We are starting to see articles on how the markets can keep going up and to buy widely. Now, I'm starting to get worried a little. Stocks are a little pricy in the US, but still relatively cheap in foreign markets. Bonds remain expensive with low interest yields.

If "exuberant" US market action continues, it might be worth considering taking a little off the table, but we have not yet reached valuation levels that would push that action.

Time Is Your Friend in the Stock Market

	Positive	Negative
Daily	53%	47%
Monthly	62%	38%
Quarterly	68%	32%
6Months	74%	26%
1 Year	79%	21%
5 Years	88%	12%
10Years	94%	6%
20 Years	100%	0%

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Rolling Performance for the S&P 500 (1926-2016)

I've put a chart like this in a commentary in the past, but it bears repeating. Assuming that markets continue to work like they have for the last 90 years, the longer you stay invested, the markedly smaller your chance of losing money. The other important point is that watching your portfolio daily means that almost ½ of the time will prove disappointing! Don't do it.

In addition, Credit Suisse just came out with their annual report on the state of investing. They had a nice graph showing really long term returns 1900-2016.

Equities 9.5% per year Bonds 4.9% per year Bills 3.7% per year
Inflation 2.9% per year

These numbers remain similar for any long term time period in the past. Equities make a small "real return" (after inflation), Bonds make perhaps one percent real return (but that's when interest rates are higher than today), and cash is a "wash."

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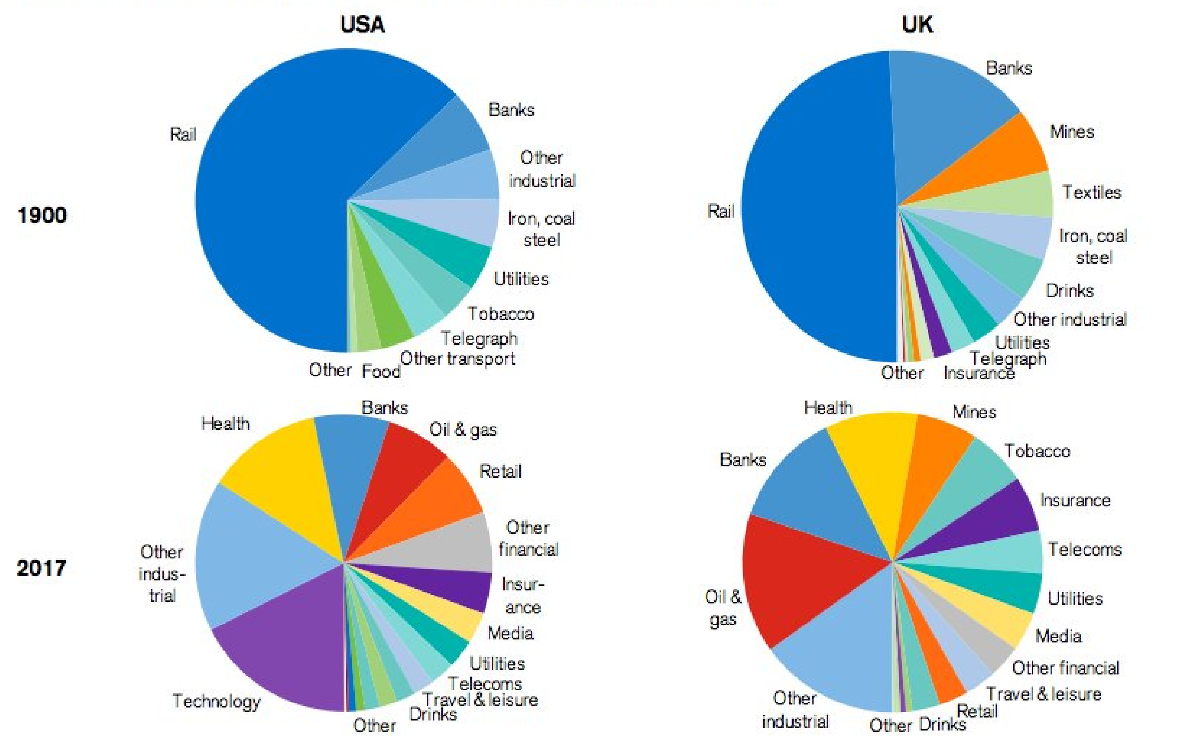
How Industries Change

Chart 2: Industry weightings in the USA and UK, 1900 compared with 2017



The stocks we buy across the world represent companies. Most of what we buy now did not even exist in 1900. Interesting.

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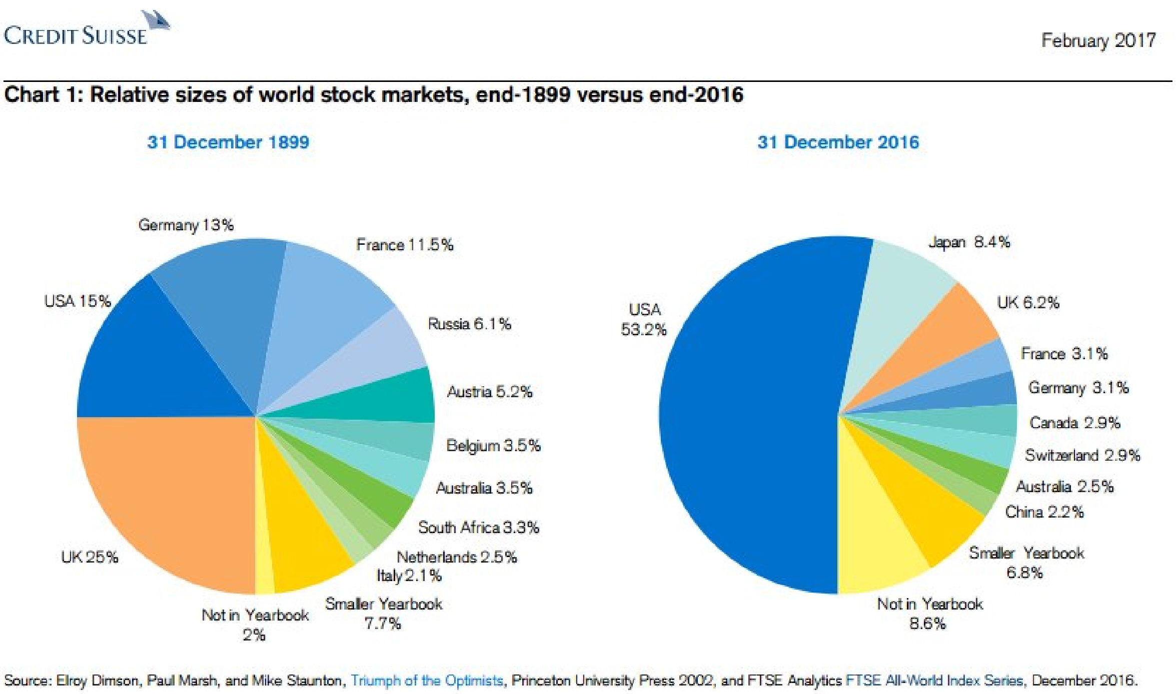
The Rise of the US Stock Market



A beautiful display of how large the US economy has become in the last century.

Rachel's Corner

Both of us read the book "Honest, Direct, Respectful" by Dennis Adams recently and really enjoyed it. It is a very quick read, but dense with great tips on how to become a better communicator with coworkers, friends, loved ones, and even strangers. We both found this book to be very helpful and an enjoyable read- if you would like a copy Amazon Primed to your doorstep, let us know- it's on us!

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Random Notes

Never make fun of people for mispronouncing a word. It means they learned it by reading.-Morgan Housel

There are many socialist prescriptions about how to spend money but no recommendations on how to make it.-Richard Fernandez

"Experience is what you get when you don't get what you want." --Howard Marks

America's economic achievements have led to staggering profits for stockholders. During the 20th century the Dow-Jones Industrials advanced from 66 to 11,497, a 17,320% capital gain that was materially boosted by steadily increasing dividends. The trend continues: By yearend 2016, the index had advanced a further 72%, to 19,763.

American business – and consequently a basket of stocks – is virtually certain to be worth far more in the years ahead. Innovation, productivity gains, entrepreneurial spirit and an abundance of capital will see to that. Ever-present naysayers may prosper by marketing their gloomy forecasts. But heaven help them if they act on the nonsense they peddle.

Many companies, of course, will fall behind, and some will fail. Winnowing of that sort is a product of market dynamism. Moreover, the years ahead will occasionally deliver major market declines – even panics – that will affect virtually all stocks. No one can tell you when these traumas will occur – not me, not Charlie, not economists, not the media. Meg McConnell of the New York Fed aptly described the reality of panics: "We spend a lot of time looking for systemic risk; in truth, however, it tends to find us."

During such scary periods, you should never forget two things: First, widespread fear is your friend as an investor, because it serves up bargain purchases. Second, personal fear is your enemy. It will also be unwarranted. -Warren Buffett

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