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Money Matter\$



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Predicting The Next Crash

by Adam Sommers

With the Dow and S&P 500 hitting all-time highs, is a bear market on the horizon? It's an interesting question, and one that I've heard asked for the last four years, ever since the S&P 500 surpassed the 2007 pre-Great Recession levels. The Dow currently sits atop 22,000, hitting new highs nearly every day. Hence **the million dollar question: When will it drop?**

No one can know the answer. But when the correction — a decline of more than 20%— does come, it's comforting to reflect that, on average, bear markets last about 18 months. We have seen some declines of less than 20% in the run-up from 2009 lows. Those drops keep getting smaller and smaller, as seemingly eager investors step in and "buy the dips."

One reason may be "Vanguarding," or the shift to passive, index-investing. Many investors learned their lesson after panic-selling amid the drop of 2008-09. The moral of that story was you're better off continuing to invest in a broad stock-market index. More specifically, dollar-cost averaging over time via your 401k and Roth IRA contributions. **History shows that the stock market will climb throughout your lifetime, and reward you more handsomely**

than anything a bank or insurance company offers. Even real estate returns can't compare to stock market returns over the last 10, 30, or even 100 years.

As we've turned more and more to passive investing for our clients (strategically allocating, re-balancing, and harvesting for tax benefits using primarily index-based ETFs) we don't concern ourselves with predicting the direction of markets. **In short, I've been humbled. Many times.** Instead of making predictions, we choose to utilize technology fused with investor psychology to build the best portfolio for each client. **Our intention is that no matter how markets act, our clients will not be tempted to change course.**

While not making predictions, I still monitor market fundamentals and technical signals. Because of this analysis, in September of 2008, we sold half of our stock positions in anticipation of further declines. In August of 2015, we exited our emerging market positions. I am humbled, yet I remain diligent.

In Nick Murray's Simple Wealth, Inevitable Wealth, he explains why it's best to "Be an owner, not a loaner." In other words, choose to continuously invest in stocks, not bonds.

"Instead of making predictions, we choose to utilize technology fused with investor psychology..."

One-Year Returns

Dow Jones Industrial 30
Average: 22.4 %

S&P 500 U.S. Large Company Stock Index:
16.2 %

S&P Moderate Allocation
Index (AOM): 6.9 %

SPDR Gold Index (GLD):
- 3.2 %

iShares Aggregate Bond
Index (AGG): - 0.1 %

SFM's "THE NAKED ALPHA
FUND": 10.9 %

ETF EXTRA – Technology Select Sector SPDR – (XLK)

From ETF.com: XLK offers fairly broad exposure to the US technology segment, and includes all of the big names associated with technology but also a few that seem like misfits, such as financial payment processors or telecom firms. This ETF has lower volatility and a tilt toward value compared to a broad tech-industry benchmark index. XLK is among the cheapest and largest funds in its segment and by far the most liquid. For many investors, XLK is the go-to choice in the segment.

XLK's Notable Statistics

Dividend Yield:	1.45 %
Total Assets in the Fund:	\$17.8 Bil.
Expense Ratio:	0.14 %
3-Year Avg. Annual Return:	15.9 %
Max Draw Down (last 3 yrs):	- 13.9 %



Model STOCK Portfolios

GROWTH-oriented portfolio

% Wt.	Symbol	Description	Div. Yield	1-year Return	3-year Return	Expense
21%	VYM	Vanguard High Dividend Stock ETF	2.99%	15.5%	11.1%	0.08%
19%	VO	Vanguard Mid Cap Stock ETF	1.42%	14.7%	10.2%	0.06%
18%	VB	Vanguard Small Cap Stock ETF	1.39%	16.7%	10.9%	0.06%
21%	VIG	Vanguard Dividend Appreciation ETF	2.06%	15.1%	10.1%	0.08%
21%	IVV	iShares S&P 500 ETF	1.87%	18.0%	11.6%	0.04%

INCOME-oriented portfolio

Average dividend yield: 2.5%

% Wt.	Symbol	Description	Div. Yield	1-year Return	3-year Return	Expense
38%	VYM	Vanguard High Dividend Stock ETF	2.99%	15.5%	11.1%	0.08%
27%	VT	Vanguard Total World Stock ETF	2.16%	17.9%	8.1%	0.11%
20%	VEU	Vanguard International Stock ETF	2.59%	17.8%	4.8%	0.11%
14%	VWO	Vanguard Emerging Market Stock ETF	2.33%	16.3%	3.3%	0.14%



Model BOND Portfolios

GROWTH-oriented portfolio

% Wt.	Symbol	Description	Div. Yield	1-year Return	3-year Return	Expense
31%	BND	Vanguard Total Bond Index ETF	2.45%	-0.03%	2.7%	0.05%
36%	BSV	Vanguard Short-Term Bond ETF	1.56%	0.4%	1.5%	0.07%
33%	MBB	iShares Mortgage Bond ETF	2.56%	0.1%	2.3%	0.09%

INCOME-oriented portfolio

Average dividend yield: 5.7%

% Wt.	Symbol	Description	Div. Yield	1-year Return	3-year Return	Expense
100%	JNK	SPDR High Yield Bond ETF	5.71%	7.6%	3.7%	0.40%



Model ALTERNATIVE Portfolios

GROWTH-oriented portfolio

% Wt.	Symbol	Description	Div. Yield	1-year Return	3-year Return	Expense
19%	RWO	SPDR Global Real Estate ETF	3.53%	-2.5%	5.8%	0.50%
26%	BAICX	BlackRock Multi-Asset Income Fund	3.63%	7.3%	4.2%	0.84%
26%	VNQ	Vanguard U.S. Real Estate ETF	4.28%	-1.7%	10.1%	0.12%
29%	GATEX	Gateway Fund	1.21%	9.4%	5.3%	0.94%

INCOME-oriented portfolio

Average dividend yield: 3.8%

% Wt.	Symbol	Description	Div. Yield	1-year Return	3-year Return	Expense
21%	RWO	SPDR Global Real Estate ETF	3.53%	-2.5%	5.8%	0.50%
32%	BAICX	BlackRock Multi-Asset Income Fund	3.63%	7.3%	4.2%	0.84%
32%	VNQ	Vanguard U.S. Real Estate ETF	4.28%	-1.7%	10.1%	0.12%
15%	RWX	SPDR International Real Estate ETF	3.93%	-0.9%	1.6%	0.59%