FROM THE GRANDCHILDREN:

We got to enjoy them all at one time while celebrating Grandma's birthday last weekend! They continue to GROW and LEARN and CHALLENGE!

Left to right: Allison, Samantha, Brooke, Thomas, Sue, and Morgan

ANNUAL REMINDER:

As a reminder, please call the office at (949) 367-9653 and set up an appointment if you have not specifically reviewed your financial objectives with us within the last year. This review can be done the same way we do the webinars if you prefer. Also, a copy of the current TCFG ADV Disclosure document can be requested at any time.

TCFG INVESTMENT ADVISORS
A CERTUS FINANCIAL GROUP COMPANY

IN MY OPINION…

Quarterly Comments from Thomas J. Wolf

May **2020**

"A BRAND NEW DECADE!"

PHONE: (949) 367-9653

You can "Like" me on Facebook and "Connect" with me on LinkedIn at Thomas J. Wolf, CFP®.
For those of you not using these social media services, you can go directly to my website at www.iplan4u.com
For those of you we mail Bulletins to, we will include the most relevant of those items with the update.

OUR RELATIONSHIP WITH YOU:

Some "relationship"! Sitting in my office today, May 1, 2020, and I am looking up at the highlighted text above: **"A BRAND NEW DECADE!".** Who would have guessed that we would all be "hibernating" to some extent before this decade was three months old.

I just told Wesley as we were returning from lunch that the first quarter "comments" in this bulletin would require I write a full detective/mystery/global combat novel. And I don't think that even Hercule Poirot could have been prepared to solve the "mysteries" we have faced. I think maybe only Poppy and Branch of the "Trolls World Tour" might have been up to the task. That is at least what the "growing 5" tell me (see the back page)!

We (Maria, Wesley, and I) have been pretty much confined to the office, getting takeout for lunch, and conducting some video/audio conferences with some of you needing assistance. That includes help with general income tax planning, tax return filing decisions and estimated tax payment choices, evaluating the IRA (RMD suspension rule for 2020, continuing vs suspending Qualified Charitable Distributions (QCD) now that the RMD was suspended for 2020.

The "environment" and by that I include the apparent "anxiety" exaggerated by the overwhelming volume of virus information/opinion has raised a new level of interest in the short term related to the "correct" amount of life insurance, changes related to beneficiaries, reviewing wills and trust distribution plans, long term care (LTC) benefits and the planned use of LTC facilities, along with heightened concerns about how to deal with "incapacity" as well as death.

And, last but not least, everyone wants to know how their accounts are doing, but for some reason the frequency of those calls has been far lower than the last "crisis" in 2007-2009. It may be the short emails I have been putting out every couple of weeks assessing the stock markets, or maybe because the market correction happened so fast, with the worst lasting just about two weeks, compared to prior corrections (late 2018, etc.) during which it last months.

So, bottom line, we have always viewed our "role" and "relationship" as part of a "team" approach, helping with any aspect of your "financial" life we can, especially under times of stress. When I started in this business, just ahead of the 1987 stock market "crash", our very conservative approach had us move substantially from stocks to cash on October 6th two weeks before "Black Monday", October 19th. We did not get significantly back into the stock market until July of 1988.

In May of 1998 I saw junk bonds decline about 3%, an indication in those days of trouble to come in the stock market. We reduced our stock market holding and in August of 1998 the stock market indeed dropped about 20%.

In September 1999, we had again moved out of stocks to protect ourselves from the "tech bubble", which was pretty much repeated in 2008 in reaction to the "mortgage bubble".

With the unusual rate of stock market value growth from 2009 through 2019, with a few accompanying short "corrections", we generally remained invested in a balanced position of stocks and bonds generally leaning toward a defensive strategy. In April of 2016 we sent out letters to clients explaining our concerns that the popular strategy of the day being "invest in the stock markets", was raising alarms for us due to market valuations, leading to rising risk and volatility in market prices. We advised that we were likely to be recommending "alternative" investment strategies to provide better stability of our investment accounts. This ultimately led to many client accounts now including trade financing investments, high yielding non-traded preferred shares of public real estate company, and other institutional quality assets not driven by stock market volatility. But those investments have NOT been easy to find and in fact Wesley travels to annual meetings where the industry gathers to discuss and review such investments and along with TCFG Due Diligence made the decision to take a pass on most of them.

We entered 2020 with again a defensive stance relative to the stock market. January and February saw the stock market reach all-time highs and in early March we reduced account allocation to "risk" assets in both stocks and bonds and created a substantial cash positions (25-30%) in each of the previously "balanced" portfolios. As I write this, we find ourselves with portfolios that include assets which are generally down less than the stock market year-to-date and an increased cash position which would have been visible on the end of March NFS statements.

The stock market currently trades up off the March 23 lows, recovering about half of the overall drop in value. The detailed nature of that rebound however suggests that the stocks benefitting are limited, with focused flows into the biggest names. Since the financial public reporting of stock indexes where index values are disproportionately influenced by those large stocks, the visible rebound is not as strong as one expects. When you look at the rebounds of most stocks, they are not anywhere near as significant as the index change would suggest. Hence, we remain skeptical and cautious. We will incrementally put some of that cash to work as we see opportunities that offer substantial value, i.e. they are trading at prices that reflect a substantial discount to the overall market. Personally I believe that we will face stock market price volatility for several quarters to come.

CURRENT INVESTMENT THOUGHTS:

As I have been doing recently in my emailed bulletins, I updated the following chart to demonstrate the recent volatility and trend in the stock market as measured by the S&P100 index. The primary purpose of this graph is to show the degree of participation of stocks within the index and therefore the under-lying strength of current market behavior. (The main chart section shows the percentage of stocks in the index trading ABOVE their 200 day moving average at the close of business each day during the 18 months period shown). At the January 2018 market high, 92+% of stocks were trading at a price above their 200 day moving average. At the December 2018 low after a near 20% downturn from October to Christmas Eve it was 13%. At the most recent high in early January 2020, it was back to almost 90%. At the March 23rd index low, only 6% were trading above their 200 day moving average. Currently (May 5th) 34% of the stocks in the S&P100 index were trading above their 200 day moving average. So while the stock market index has rebounded and recovered about half of the January to March downturn, it appears to me that the momentum behind the rebound has slowed. This is confirmed in the other three technical indicators portrayed in the other sections of the chart.

Therefore, we remain cautious about increasing account allocations to stocks, we want to retain the cash position we now hold in the accounts, and continue to monitor the individual assets owned for their appropriateness during this period of volatility.