

## CCA Strategies Update 1<sup>st</sup> Quarter 2018

At Cravens & Company, we employ our Multi-Asset/Multi-Strategy approach in managing investments because we seek to increase our clients' opportunity for success and reduce the possibility of unintended outcomes. Traditionally, blending together different asset classes, (stocks, bonds, real estate, cash), has been the primary tool for building a diversified investment portfolio, but additional diversification can be achieved by combining together different investment strategies. Guided by your goals, we create custom portfolios by diversifying both asset classes and strategies. Since your situation and objectives are unique and best served by a portfolio designed uniquely for you, your portfolio may not utilize all of the strategies updated in following. We believe you will find our Multi-Asset/Multi-Strategy approach provides a sound foundation for pursuing your goals.

### Core Strategies

- **Market Capture Strategy:** Stocks with an emphasis on diversification, holding long-term, and always remaining fully invested.
  - Notes: No changes, we have an overweight toward International and Emerging Markets due to valuation.
  
- **Risk Managed Strategy:** Stocks with an emphasis on diversification and managing risk.
  - Notes: Due to tightening monetary policies, valuation concerns, and poor investor psychology statistics we reduced risk.
    - Target Cash level increased from 16% to 28%.
    - US allocation is 60% of target.
    - Developed International allocation is 75% of target.
    - Emerging International allocation is 100% of target.
    - Reduced: Schwab US Broad Market, Schwab International Equity
  
- **Fixed Income Strategy:** Bonds with an emphasis on diversification and stability.
  - Notes: No changes, holdings are predominantly short term due to the current low-interest rate environment.
    - Current Yield is 2.2%.
  
- **Alternatives Strategy:** Real asset or skill based investments with low correlations to stocks and bonds, such as Real Estate, Commodities, Hedge Funds, and Managed Futures.
  - Notes: During the stock market decline which began in February we observed companies which own commodities, such as Chevron, doing more poorly than the actual underlying commodities such as oil. We philosophically prefer to own the companies since they not only own the raw materials but use them to make a profit, but the purpose of the allocation to commodities is to provide diversification. Based on that we shifted ½ of our commodities position to actual physical commodities.
  - Bought: EV Parametric Commodity Fund
  - Reduced: S&P Global Natural Resources Fund

## Focus Strategies

- **High Quality Strategy:** Stocks with an emphasis on large companies with strong balance sheets.
  - Notes: Our higher than normal cash allocation is also a reflection of our current concerns over stock market valuation.
    - Cash level increased from 18% to 28%.
    - Current Dividend Yield is 1.7%.
    - Sold: Boeing, McDonald's
  
- **Dividend Income Strategy:** Stocks and Bonds with an emphasis on current income.
  - Notes: Our higher than normal cash allocation is a reflection of our current concerns over stock market valuation.
    - Cash level decreased from 18% to 15%.
    - Current Dividend Yield is 4.0%.
    - Bought: Guggenheim 2018 Corp Bond Fund, Simon Property Group
    - Increased: Guggenheim 2018 High Yield Bond Fund, Dominion Energy, Southern Company
    - Reduced: LyondellBasell Industries, Abbvie
  
- **Laddered Income Strategy:** Bonds with an emphasis on tax-free income.
  - Notes: No changes, holdings are balanced between short-term and long-term bonds.
    - Current Yield to Maturity is 2.6%.
  
- **Energy Income Strategy:** Energy infrastructure holdings with tax-advantaged income.
  - Notes: No changes.
    - Current Dividend Yield is 7.4%
  
- **Capital Appreciation Strategy:** Stocks with an emphasis on leading growth companies and deep value companies. This strategy pursues higher returns while accepting higher risk.
  - Notes: We reduced risk during the quarter. While we would like to be more aggressive, being patient has been the correct approach this year.
    - Cash level increased from 62% to 82%
    - Sold: National Beverage Co, Hortonworks, Nutanix, 58.Com, Varonis Systems, New Relic, YY
    - Reduced: Sangamo Therapeutics

This update is informational in nature and not a recommendation to buy or sell any security. Holdings and opinions are subject to change without notice.

Investing involves risk including the potential loss of principal. Investing involves risk including the potential loss of principal. International investing involves additional risks including risks associated with foreign currency, limited liquidity, government regulation, and the possibility of substantial volatility due to adverse political, economic and other developments. The two main risks associated with fixed income investing are interest rate and credit risk. Typically, when interest rates rise, there is a corresponding decline in the market value of bonds. Credit risks refer to the possibility that the issuer of the bond will not be able to make principal and interest payments. Investments in commodities may entail

significant risks and can be significantly affected by events such as variations in the commodities markets, weather, disease, embargoes, international, political, and economic developments, the success of exploration projects, tax, and other government regulations, as well as other factors. No investment strategy can guarantee a profit or protect against loss in periods of declining values. Past performance is no guarantee of future results. Please note that individual situations can vary. Therefore, the information presented here should only be relied upon when coordinated with individual professional advice. Any opinions or forecasts contained herein reflect the subjective judgments and assumptions of the authors only and do not necessarily reflect the views of FSC Securities Corporation. There can be no assurance that developments will transpire as forecasted and actual results will be different. Data and analysis do not represent the actual or expected future performance of any investment product.

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