Cravens & Co.
WEALTH MANAGEMENT

Strategies Update 3rd Quarter 2019

At Cravens & Company, we employ a Multi-Asset/Multi-Strategy approach of managing investments. Our approach is designed to increase our clients' opportunity for success by reducing the possibility of undesirable outcomes. Traditionally, blending 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 complementary 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 discussed in the following update. 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, tax-efficiency, and always remaining fully invested.*
    - Notes: No changes, remains fully invested. 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: Large portion of allocation remains in cash which is yielding 1.8%. The US remains highly valued with challenging investor psychology. International valuations are more attractive and their trend has stabilized, so we are doing some buying.
        - Current Cash 90%.
        - US allocation is 0% of target.
        - Developed International allocation is 20% of target.
        - Emerging International allocation is 20% of target.
        - Bought both Developed and Emerging International Stocks.

- Fixed Income Strategy: *Bonds with an emphasis on diversification and stability.*
    - Notes: No changes, holdings are predominantly short term due to the unusually flat yield curve. There is little or no premium for longer maturities and substantially more interest rate risk.
        - Current Yield is 1.4%.

- Alternatives Strategy: *Real asset or skill-based investments with low correlations to stocks and bonds, such as Real Estate, Commodities, Hedge Strategies, and Managed Futures.*
    - Notes: Remaining allocation to commodities has been reinvested in precious metals with the goal of providing a buffer during market declines. There is also potential opportunity due to greater demand for precious metals among foreign countries around the world.
        - Bought Precious Metals (GLTR) 12.5%

Focus Strategies

- High Quality Strategy: *Stocks with an emphasis on large companies with strong balance sheets.*
    - Notes: Higher than normal cash allocation continues to reflect our concerns over the current market valuation.
        - Cash level decreased to 30%.
        - Current Dividend Yield is 2.2%.
        - Sold Costco Wholesale (COST)
            - Costco Wholesale is a great company, but the increase in the stock price resulted in a valuation that we find excessive.
        - Bought Kroger (KR)
            - Kroger is the leading American grocer, with 2,764 supermarkets. They have been under pressure due to expected competition from Amazon, but we expect traditional grocery stores to maintain a roll in American life.
        - Bought Exxon Mobil (XOM)
            - ExxonMobil is an integrated oil and gas company that explores for, produces, and refines oil around the world. The price of oil has remained low, but this tends to move in cycles. Their dividend of around 5% is attractive.
        - Bought Altria (MO)
            - Altria comprises Philip Morris USA, U.S. Smokeless Tobacco, John Middleton, Ste. Michelle Wine Estates, Nu Mark, and Philip Morris Capital. It holds a 10.2% interest in the world's largest brewer, Anheuser-Busch InBev. This past year it has made investments in vaping company Juul and cannabis company Cronos. Their dividend of around 6.5% is attractive.

- Income Focus Strategy: *Stocks and Bonds with an emphasis on current income.*
    - Notes: No changes. Higher than normal cash allocation continues to reflect our concerns over the current stock market valuation. A number of high dividend stocks have declined to attractive levels, so we expect to be putting some cash to work this quarter.
        - Cash level 30%.
        - Current Dividend Yield is 4.4%.

- Growth Opportunity Strategy: *Stocks with an emphasis on leading growth companies and deep value companies. This strategy pursues higher returns while accepting higher risk.*
    - Notes: We have a very high cash allocation due to the market conditions.
        - Cash level decreased to 65%.
        - Bought Greenlight Capital (GLRE)
            - Greenlight Capital offers property and casualty reinsurance. Their investment portfolio is managed by hedge fund manager David Einhorn and has been trading at a discount to its book value.

- Bought Chinese Internet ETF (KWEB)
  - The ETF provides investment in a diverse group of China's internet companies. China's internet population has reached 829 million people, while the US has reached 287 million people. The internet reaches 89% of Americans and only 60% of Chinese.
- Bought Robotics & Artificial Intelligence ETF (BOTZ)
  - The ETF provides investment in the megatrend of Robotics and AI. The changes in these areas are nothing short of astounding and will impact most areas of future daily life.
- Bought India ETF (INDA)
  - India is the world's 5th largest economy. Prime Minister Modi has pushed through many pro-business reforms, which we expect to continue improving the economic growth of the country.
- Bought Occidental Petroleum (OXY)
  - Occidental Petroleum is an independent exploration and production company with operations in the United States, Latin America, and the Middle East. The price of oil has remained low, but this tends to move in cycles. Their dividend of around 7% is attractive.
- Bought Altria (MO)
  - See High Quality Strategy