

## Strategies Update

2<sup>nd</sup> 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: No changes, remains in cash which is yielding 2.2%. The US remains highly valued with challenging investor psychology. International valuations are more attractive and their trend has stabilized, so reinvestment there is likely on the horizon.
    - Current Cash 100%.
    - US allocation is 0% of target.
    - Developed International allocation is 0% of target.
    - Emerging International allocation is 0% of target.
- **Fixed Income Strategy:** *Bonds with an emphasis on diversification and stability.*
  - Notes: No changes, holdings are predominantly short term the unusually flat yield curve. There is little or no premium for longer maturities and substantially more interest rate risk.
    - Current Yield is 1.5%.
- **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: No Changes

## 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 stock market valuation.
    - Cash level increased to 38%.
    - Current Dividend Yield is 2.0%.
  
- **Dividend Income Strategy:** *Stocks and Bonds with an emphasis on current income.*
  - Notes: Higher than normal cash allocation continues to reflect our concerns over the current stock market valuation.
    - Cash level increased to 30%.
    - Current Dividend Yield is 4.4%.
    - Sold Outfront Media (OUT)
      - Outfront Media owns billboards and transit displays. The dividend remains strong, but the potential of a slowing economy and the roughly 50% gain in the stock this year led to our selling this position.
  
- **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 83%.
    - Bought Newmont Goldcorp 3.5% (NEM)
      - Newmont is the world's largest gold producer. Gold in relation to stock market values is at a significant discount, and Gold miners are at a discount to their historical relation to the price of gold. Also, a recent merger has provided the potential for cost savings in their operation. These factors, along with our concern over the future impact of the increase of global debt, make this a deep value investment with aspects of protection from a market decline.

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. 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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