

# Strategies Update

1<sup>st</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:
    - Current Cash level increased to 100%.
    - US allocation is 0% of target.
    - Developed International allocation is 0% of target.
    - Emerging International allocation is 0% of target.
  - Notes: Our remaining US holdings were sold due to valuation. In addition to our valuation concerns, investor psychology readings have also reached an extreme. These indicators don't predict declines but suggest the risk of a decline is growing higher. Often, some type of unexpected bad news serves as the catalyst that sets a reversal in motion. We don't know what the bad news could be or if and when it will come, but we can see from history that similar situations have produced poor outcomes for stocks.
  - Notes: Being conservative while the market is strong is psychologically challenging, but our conviction at the moment is that being conservative is the prudent approach. As has been noted many times before, history rarely repeats but often rhymes. With that in mind, we are positioning to reduce the negative impact of a potentially significant market correction.
- **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 1.8%.
- **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%.
    - Sold Proctor & Gamble
      - Proctor & Gamble was sold due to valuation and low sales growth. This strategy focuses on companies with aspects we feel position them to weather economic storms. While those aspects serve to reduce risk levels, we do not want to trade the risk of the company faltering during challenging economic times, for the increased risk of owning a company which is very highly priced. Our intent is to be “buy and hold” investors of these companies, but companies can reach valuations which cause us to view the risk of the decline or lack of return outweighs our desire to hang on to the company.
- **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 remains 27%.
    - Current Dividend Yield is 4.4%.
    - No Changes
- **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 have a very high cash allocation due to the market conditions.
    - Cash level 87%.
  - Notes: No Changes

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.

Advisory services offered through Cravens & Company Advisors, LLC, a Registered Investment Advisory Company. Securities offered through, and advisory services may also be offered through, FSC Securities Corporation, an Independent Registered Broker/Dealer. Member FINRA/SIPC and a Registered Investment Advisor. Not affiliated with Cravens & Company Advisors, LLC.