

## CCA Strategies Update 2nd Quarter 2018

At Cravens & Company, we employ our 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, 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 ongoing volatility and uncertainty, the existing cash allocation has remained unchanged.
    - Target Cash level has remained at 28%.
    - US allocation is 60% of target.
    - Developed International allocation is 85% of target.
    - Emerging International allocation is 100% of target.
  
- **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 2.36%.
  
- **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: No changes.

### Focus Strategies

- **High Quality Strategy:** Stocks with an emphasis on large companies with strong balance sheets.
  - Notes: No changes, higher than normal cash allocation continues to reflect our concerns over current stock market valuation.
    - Cash level remained at 28%.

- Current Dividend Yield is 1.5%.
- **Dividend Income Strategy:** Stocks and Bonds with an emphasis on current income.
    - Notes: Higher than normal cash allocation continues to reflect our concerns over current stock market valuation.
      - Cash level increased from 18% to 20%.
      - Current Dividend Yield is 4.2%.
      - Sold: Intel
        - Due to the stock price significantly increasing in value the dividend yield was no longer high enough to remain in this strategy.
  - **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 3.1%.
  - **Energy Income Strategy:** Energy infrastructure holdings with tax-advantaged income.
    - Notes: We have closed all energy income positions due to factors including the tax law changes, recent court rulings on what utilities can charge, and the bounce from the rise in oil prices.
  - **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: No changes, holding excessive amounts of cash this year has reduced volatility during what has been a very up and down year for the market. The large decline we were protecting against has not yet materialized. After the end of the quarter, we started doing some buying. We are still concerned about the market's valuation, so if declines return we will be quick to take losses and reduce risk. Fear of a large market decline had kept us from attempting to take advantage of some opportunities, but our risk management is now shifting to monitoring the risk on an individual stock basis instead of a focus on the market as a whole.
      - Cash level remained at 82%.

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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