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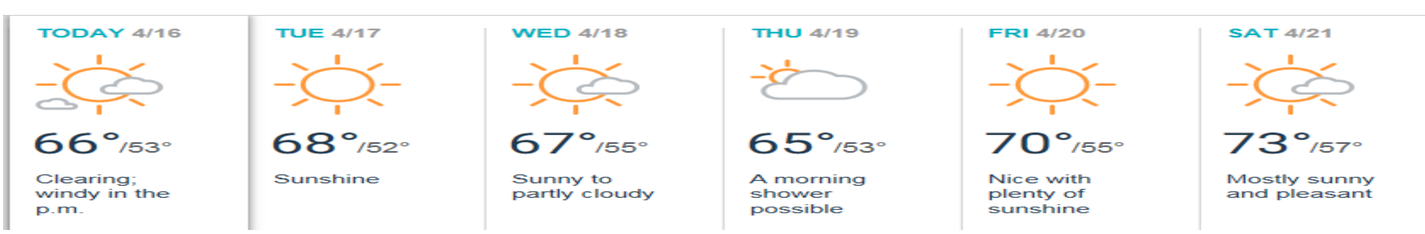
Spring 2018

Baby it's cold outside...

As we started to jot notes down for this quarter's news, it wasn't hard to garner some 'inspiration' as we looked out of our windows here in Omaha. For those of you who have never called the Mid-west home, or by choice or chance you no longer are, below is a snapshot from this weeks weather report:

Within a 6 day span, primarily within a 36-48 hour period, we experienced a "Chamber of Commerce day", a tornado watch and a winter weather advisory that brought nearly 1 foot of snow to our northern and western neighbors, finally settling in on some seasonable weather. The ups and downs from day to day not only make it difficult to figure out just what to wear, but also begin to weigh, emotionally on you. Is spring ever going to get here!?!

Even more remarkable through the ups and downs of the week, Omaha's average high for those 6 memorable days was 69 degrees. That was 2 degrees higher than that of San Diego, CA. (below):



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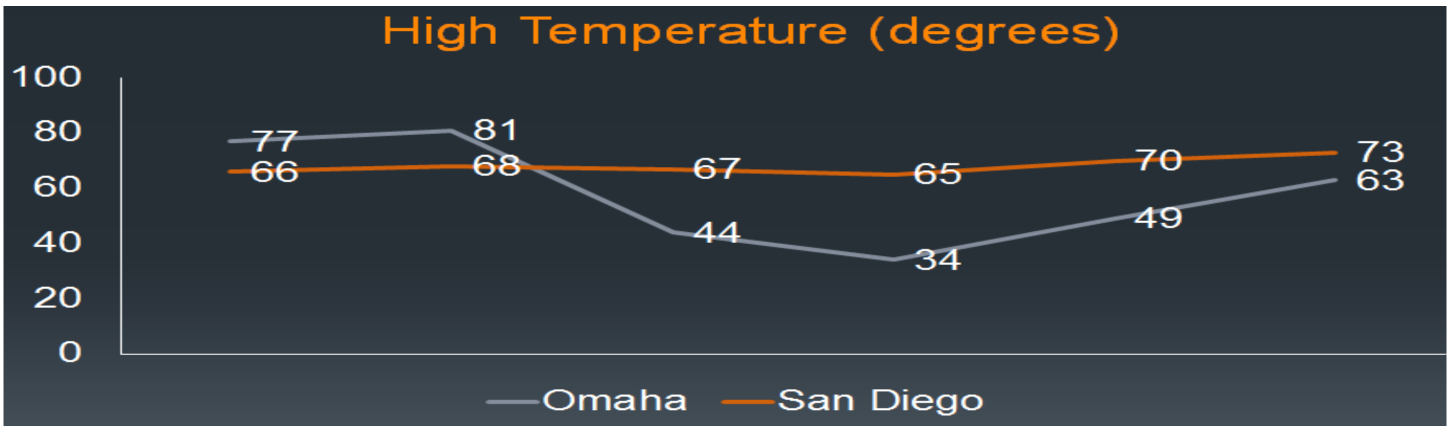
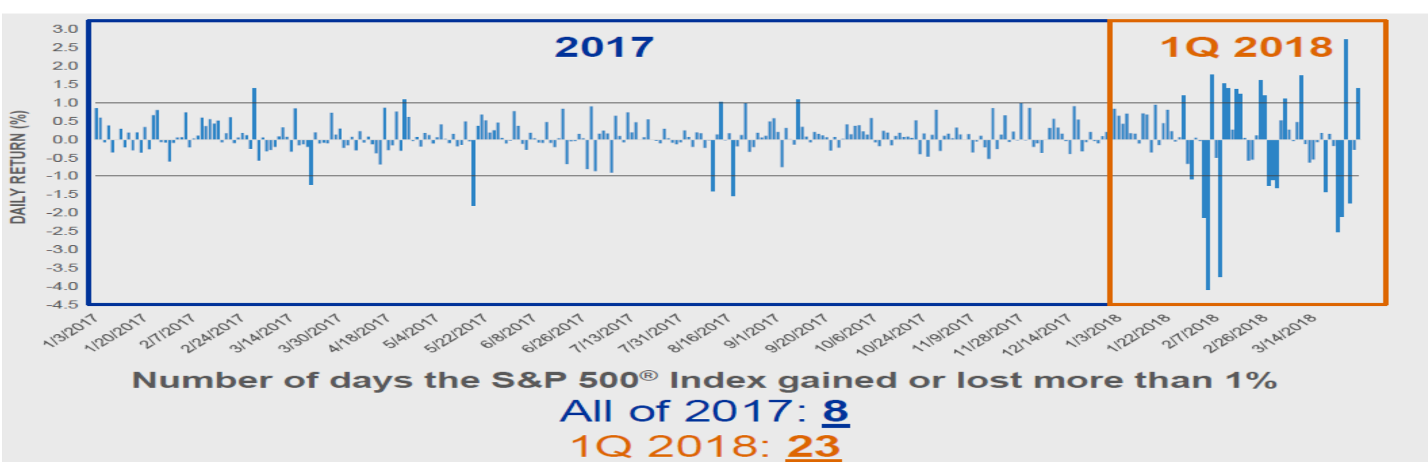
What a good (unfortunate for the Omaha folks) example of volatility. While both cities had similar average temperatures, they experienced dramatically different ranges in high temperatures. The spread in temperature is the standard deviation. The temperature in San Diego varied 8 degrees (65 to 73). However there was greater fluctuation in Omaha, where the temperature varied a whopping 47 degrees! Now, consider what this means if applied to your investment portfolio. Although two portfolios can have similar annualized returns, the ride along the way can be significantly different. One portfolio may have a higher standard deviation, reflecting more ups and downs while the other portfolio could have a lower standard deviation, indicating a smoother ride. Now who would have ever thought Nebraska was more volatile than California! Below is a visual of the variation or standard deviation between the two city's temperatures:

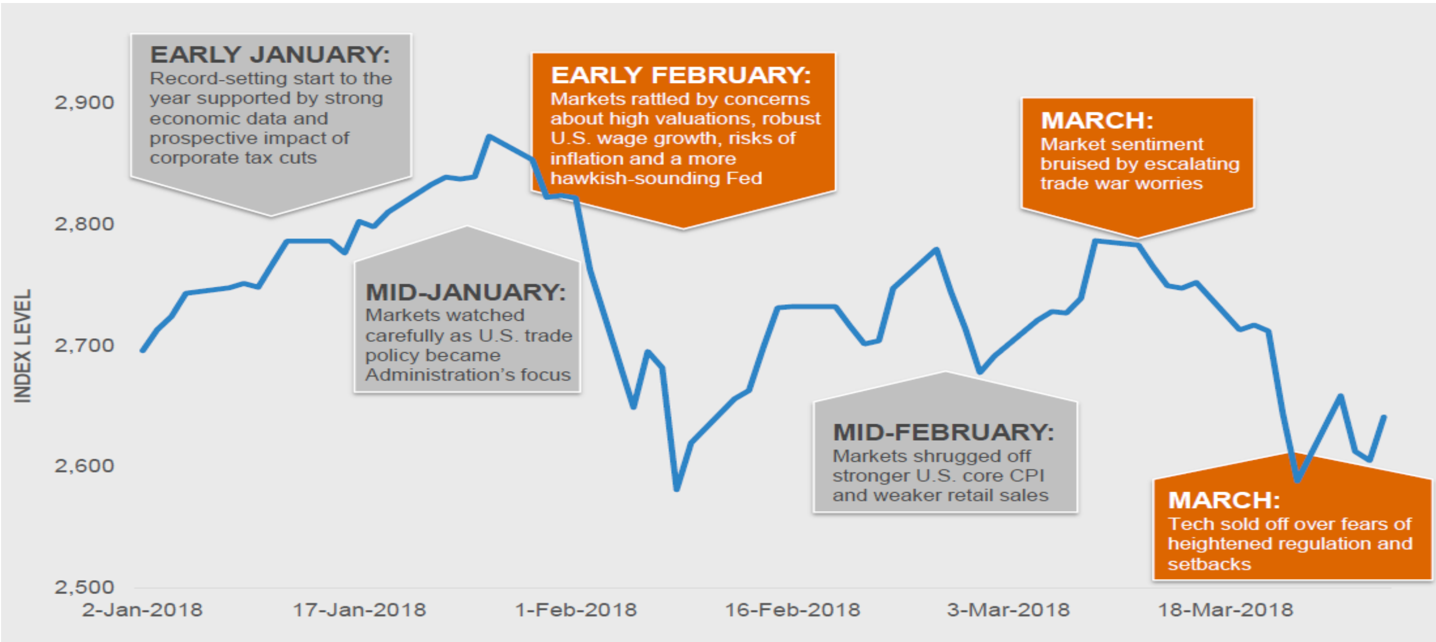


Welcome back...

It was mere days, maybe hours actually, after we published our winter newsletter, in which we highlighted 2017's historical lack of equity market volatility, when it once again returned with vigor, as highlighted below:

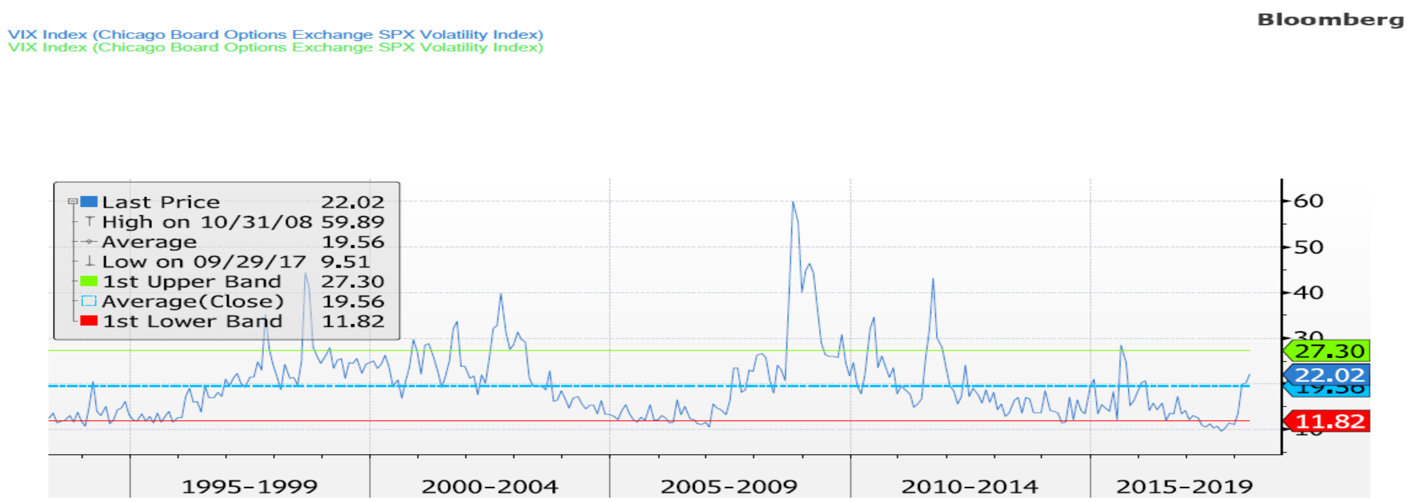


It is difficult to pinpoint what was the exact reason for the return of market turbulence. Our mention of it in our newsletter? Doubtful.



Source: S&P 500® Index

On one hand, the market welcomed tax reform, strengthening our conviction and belief in ownership of corporate America, resulting in new equity market highs in January. On the other hand, the anticipation of higher interest rates and most recently, the Trump administration's unvaling of 1,300 new potential tariffs on goods from China have set markets reeling into worry mode of a retaliatory trade war. In a March 8th Barron's Interview, veteran market watcher Ed Yardeni summed it up nicely:"…(the Trump administration is) stepping on the accelerator and the brakes at the same time: on the accelerator with tax reform, on the brakes with protectionism." Thus, the recent return of volatility is a result of "driving with two feet". We are reminded that while not the ride in the park like 2017, this type of market movement is quite normal, when we look at the history of volatility as measured by the VIX® (CBOE Volatility index).



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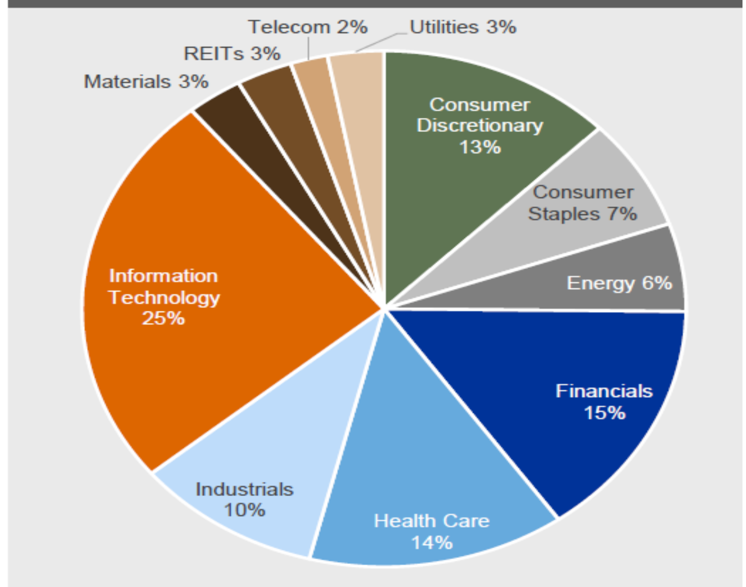
Current equity market valuations, combined with continued geopolitical noise, provide us with even greater conviction for active portfolio management. Finding businesses both in the United States as well as across the globe with attractive valuations to invest in, along with effectively managing your fixed income investments in the current rising interest rate environment, take diligence and constant monitoring. The S&P 500 index for example, one of the most well know indexes in the world, and one by which many portfolios are compared, has abruptly become a not so diversified United States index option, now weighted heavily in Information Technology associated industries. Owning this index along with many others, may not properly prepare you for 'storms' ahead. Your individual financial goals ultimately determine your specific, customized asset allocation. We take great pride in helping you determine the best allocation for your goals and look forward to continually helping you navigate your financial journey, through good weather and bad.

S&P 500® INDEX INDUSTRY BREAKDOWN



Source: S&P 500® Index and index sectors as of 3/31/2018.

We greatly appreciate the opportunity to serve you. Have a wonderful and warm (fingers crossed) spring!

Randy, Trevor and Ashley

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Omaha, Nebraska

450 Regency Parkway, STE 400 | Omaha, NE 68114 | (402) 898-1700