



PECK | KULA INVESTMENT  
MANAGEMENT GROUP

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Winter 2018

$$F = G \frac{m_1 m_2}{r^2}$$

**T**he Dow Jones industrial average closed at a new record high 70 times in 2017. This represents the highest-ever number of record closes in a year, topping the 69 records that occurred over 1995. The S&P 500 closed the books on 2017 with 62 new records which is the second-highest annual tally for the benchmark index; in 1995, 77 new records were recorded. Maybe more astounding than the record of records, was the record of calm, at least to the downside. On October 23rd, 2017 the S&P 500 experienced a 242-day period without a single-session drop of at least 3%, setting a new record. The previous record stretched from January 26, 1995 to January 9th, 1996. We have yet to see that correction.

**L**egend has it that a young Isaac Newton was sitting under an apple tree when he was bonked on the head by a falling piece of fruit, a 17th-century “aha moment” that prompted him to suddenly come up with his law of gravity. Newton first published this principle, which states that every body in the universe is attracted to every other body with a force that is directly proportional to the product of their masses and inversely proportional to the square of the distance between them, in his landmark work the “Principia,” which also features his three laws of motion. So, what goes up, must come down, right? We disagree...sorry Isaac.



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*“It is difficult to make predictions, especially about the future”*

**T**he world economy, for the first time since 2008, is firing on all cylinders. Many investors still believe the post-crisis recovery is doomed, because it was triggered by unsustainable monetary policies, almost a sugar-high of sorts. However, the US Federal Reserve, began to reduce its purchases of long-term securities at the beginning of 2014, stopped QE completely later that year, and started raising interest rates in 2015 without producing the ‘cold turkey’ effects, many predicted. Instead of falling back into recession or secular stagnation, the US economy continued growing and creating jobs as the stimulus was reduced and then stopped. The economy has and continues to mature into a structural expansion of economic activity, profits and employment, that looks to have many more years to run. While this is all good news for the US economy, we are in fact focused on global investing, so how does the rest of the world look? By demonstrating the success of monetary stimulus, the US has provided a roadmap that other countries have since adopted. That is good news for globally diversified investors. While the Federal Reserve continues raising interest rates, Europe and Japan are planning to keep theirs near zero at least until the end of the decade, which will moderate the negative effects of US monetary tightening on asset markets around the world.

**W**e discussed in our Spring newsletter, earnings and profits within the US markets:

**Earnings:**

*As of today (with 58% of the companies in the S&P 500 reporting actual results for Q1 2017), 77% of S&P 500 companies have beat the mean EPS estimate and 68% of S&P 500 companies have beat the mean sales estimate.*

*Also, beyond just earnings beats, ten sectors are reporting year-over-year growth in revenues, led by the Energy sector. The only sector reporting a year-over-year decline in revenues is the Telecom Services sector.*

Since that time, markets have continued to climb and valuations have become closer to fair value, still not there however, based on our models. That said, the cyclical upswing in profits outside the US has only recently started and will create new investment opportunities. So, even if US investment conditions become less favorable, Europe, Japan and many emerging markets are now entering a favorable investment cycle, profits are rising strongly, but interest rates remain very low...sound familiar?

In this current economic and market environment we feel more compelled to focus on Sir Isaac’s thoughts on motion rather than gravity. Every object will remain at rest or in uniform motion in a straight line, unless compelled to change its state by the action of an external force.



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## New Technology!

We are very excited to announce new technology available to you. At a glance data integration for your personal and financial accounts. One log in, multiple account view. Please call Ashley to get signed up or learn more!

### Investnet | Yodlee FastLink

Consumers are often forced to endure a tedious consolidation of accounts to get a holistic view of their financial accounts. However, there's now a way to simplify and speed the process. With Investnet | Yodlee FastLink, consumers can securely add and link their financial accounts from around the world – including checking, savings, credit cards, investments, mortgage, rewards, billing providers, and more, to get a holistic view of their global finances in one location. The behavioral-based user interface guides consumers by identifying, verifying, and linking accounts seamlessly. Financial institutions and internet innovators can easily on-board customers, engage them in their financial tools, and have full data access to the user accounts from held away financial institutions.

### Account Summary

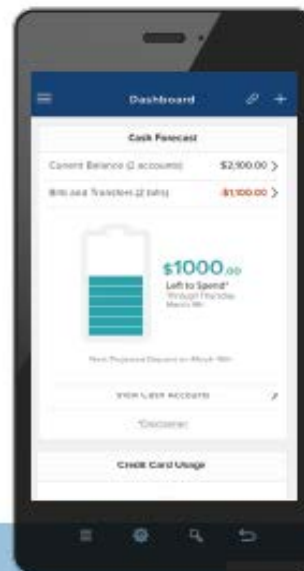
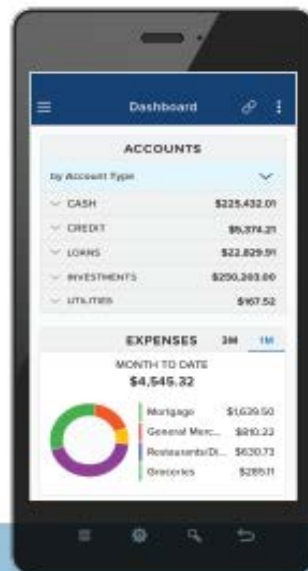
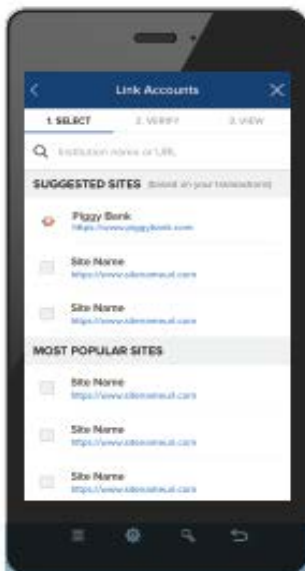
In order to gain greater control over their money, consumers need all of their financial information at their fingertips. The Investnet | Yodlee Account Summary FinApp helps by automatically providing consumers with an engaging view of their full financial picture. By seeing their banking accounts, credit cards, investments, mortgages, rewards, and other accounts from various financial institutions all in one place, consumers can increase their line of sight, control and peace of mind.

### OK to Spend

Consumers often have difficulty forecasting their income and expenses one week out and beyond. As a result, many consumers spend more than they earn. By applying state-of-the-art machine learning techniques and best-in-class data analytics to historical consumer transactions, the Investnet | Yodlee OK to Spend FinApp creates a financial forecast that allows consumers to view forward looking forecasts that organize and predict recurring income and financial obligations. Consumers can also receive personalized notifications for financial events and projected balances. As a result, consumers are empowered to spend wisely to attain financial wellness.

### Save For a Goal

Consumers are more apt to meet their saving goals with tools that help them automate their savings. The Investnet | Yodlee Save For a Goal FinApp encourages saving and empowers consumers to automate their savings to meet milestones and duration-based goals, whether it's a specific purchase or preparing for a rainy day, college, or retirement. Consumers can easily set and track multiple savings goals within a single account, or spread a single goal across multiple cash and investment accounts while accessing visual data and notifications such as progress bars, charts and alerts, keeping consumers engaged and emotionally attached to their goals. Contextual bite-sized financial coaching educates users and walks them through decisions like how much to set aside.





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## Transactions

Staying on top of transactions can be frustrating for consumers. That's why the Ervestnet | Yodlee Transactions FinApp is so useful. This FinApp can provide consumers with a consolidated view of their transactions from multiple accounts, organized by merchant or category, with the transaction date, amount, and description. Global search functions and filtering capabilities make it easy for users to locate specific transactions, filter transactions by date, and split transactions into different categories. And with Ervestnet | Yodlee Transaction Data Enrichment, easy-to-understand descriptions are offered in place of potentially confusing transactions descriptions.

## Expense/Income Analysis

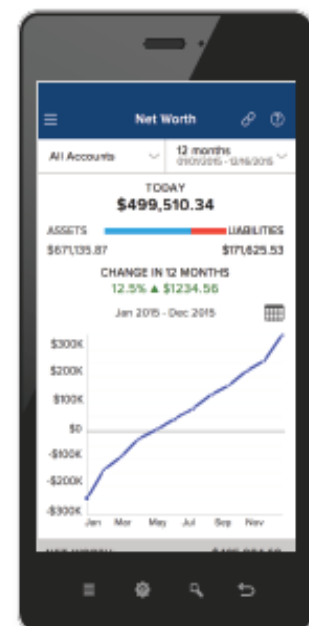
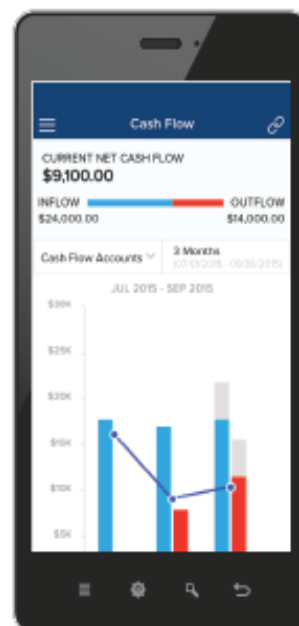
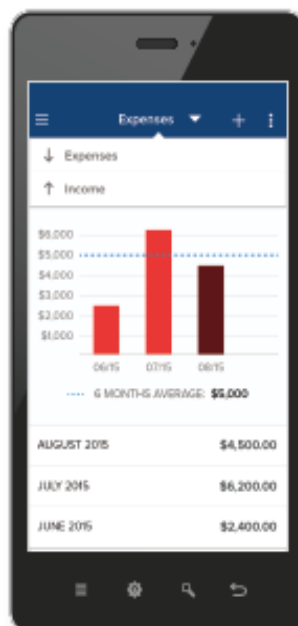
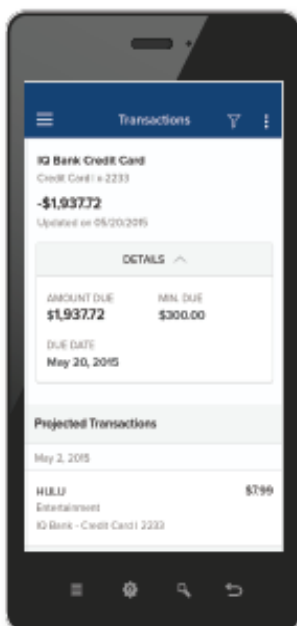
Charting expense and income has never been easier or more accurate. With the Ervestnet | Yodlee Expense and Income Analysis FinApp, spending and income categories are displayed graphically to highlight categories and trends that help consumers manage their spending. With a clear view of income and expenses across all of their accounts, and knowledge of how spending and saving behaviors affect their financial wellness, consumers have the power to make smarter decisions.

## Cash Flow Analysis

By showing consumers where they stand in relation to income, expenses, and overall cash flow across all their accounts, the Ervestnet | Yodlee Cash Flow Analysis FinApp can help consumers make sound financial decisions. Based on their projected income and expenses, for the current month, the app is able to show the projected cash flow to help the consumer plan accordingly.

## Net Worth

The Ervestnet | Yodlee Net Worth FinApp displays net worth, in addition to assets and liabilities from all of consumer's accounts, enabling them to see the progress they've made toward financial wellness. Consumers can also see updates on investment values, property (when manually entered), and more. It's an easy and automatic way for consumers to gain big picture insight – and avoid the hassles and potential inaccuracy of manually piecing together their financial picture.







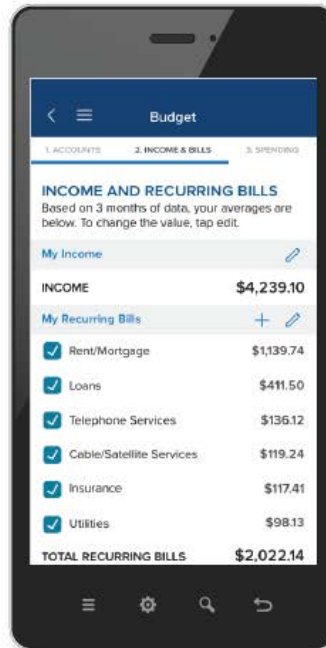
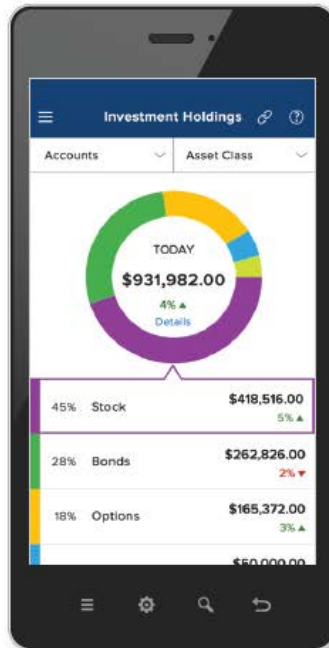
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## Investment Holdings

A consolidated view of a user's investment holdings paired with market data can be hard to find. With the Envestnet | Yodlee Investment Holdings FinApp, consumers can get a consolidated view of their holdings and an in-depth look at individual stocks, bonds, options, etc. Consumers can view their investments at a high level, by sector, asset class, or region, and drill down to see individual stock charts and view changes in a variety of ways.

## Budgets

Empower consumers to set a budget and stay on top of expenses and savings with the Envestnet | Yodlee Budget FinApp. This valuable tool guides users to build a budget in simple steps. Proactive tracking and in-app notifications are also offered to increase engagement and help users stay on track – without requiring them to manually track their spending. By streamlining budget planning and savings, consumers can save time and effort in managing their money.



We appreciate the trust you have in us, and the opportunity to serve you. Wishing you a healthy and prosperous 2018.

Randy, Trevor and Ashley



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### **Resources available at D.A. Davidson & Co.**

- Investment Management & Monitoring
- Retirement Income Planning
- Estate Strategies
- Life Insurance and Long Term Care Review
- Business Succession Planning
- Foundation and Pension Management



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