A View from the Tower

First Quarter Summary 2019

Chuck Maggiorotto, CFP, CFA
President & CEO

Vicki Hohenstein, CFA
Senior Vice President

Billie McClain, CFA
Senior Vice President

Paul Raccuglia, CFA
Senior Vice President

Marc Scott, CFA
Senior Vice President

Jonah Jones, CFA
Assistant Vice President

Chance Pierce
Assistant Vice President

Andrew Bradshaw
Portfolio Manager

Christopher Wolff, CFP
Financial Planner

Jason Collins
Portfolio Manager Associate

Nick Weber
Portfolio Manager Associate

1 Ward Parkway
Kansas City, MO 64112

816-931-4060

The markets have been quite volatile over the past six months; on the downside during the fourth quarter of 2018 and on the rebound so far in 2019. There still appear to be a number of things to possibly be concerned about, including potential trade wars, a flattish and somewhat inverting yield curve and Brexit; all of which resulting in questions around domestic and global economic growth. Contrary to what most people would have imagined, interest rates have actually been declining over the last four months or so and it is looking more likely that the Federal Reserve will not increase interest rates this year. Interestingly and somewhat ironically, a potential rate cut in 2020 is already being contemplated by some economists. In the midst of a contentious (some would say caustic) political environment, we are already seeing the 2020 Presidential election cycle on the horizon. With this backdrop we have still experienced a strong upward trajectory in the stock and bond markets this quarter, wiping away a significant amount of the losses that we saw at the end of last year. Just about every index had positive returns with the S&P 500 up 13.65%, the small-cap oriented Russell 2000 gaining 14.58%, and the MSCI EAFE (developed, international stocks) increasing 10.13%. The bond market produced attractive returns as well with the Barclays Aggregate up 2.94% and the Barclays U.S. High Yield Index posting a robust 7.26%.

As we move from the first quarter, one item to note is the relatively unimpeded bounce in the equity markets since late December. Historically, recoveries have tended to resemble a "W" pattern, with a mixture of positive and negative days/periods, within the context of an overall positive trajectory. However, so far we have experienced much more of a "V" shaped scenario, with the activity by and large slanted very heavily to the upside. Although this could continue to be the trend, it would not be unreasonable to expect at least some "W" aspects within an overall healthy long-term process.

Given what has transpired over the last six months, it is a good time to once again put things in perspective from a long-term investment horizon orientation. Many would consider Benjamin Graham to be the father of modern fundamental investing. An investor, author, and professor, many of his pupils ended up having remarkable investing careers; and his books are still widely read. Nearly everyone has certainly heard the name of his most

famous disciple, Warren Buffett, but several others were very successful as well. One of his more well-known and popular analogies that he taught in class (as well as in his books) had to do with "Mr. Market".

To summarize the analogy, Mr. Market is a merchant who is willing to sell or buy a variety of products every day. While Mr. Market is stable some days, other days he may seem very erratic. On days he is very sad and believes the future looks bleak, one can buy products from him at very inexpensive prices. Conversely, during days when he is extremely happy and overly optimistic about the future, one can sell him products at high prices. If you were acquainted with Mr. Market, would you want to take your cues from him or maybe even do the opposite and take advantage of his moods? Would you sell your products at cheap prices and buy them at high prices or should you do the reverse? Unfortunately, many individuals tend to take their cues from him, often resulting in less than optimal outcomes.

As you likely have surmised, Mr. Market is an analogy for the stock market: the products are the companies that trade on the stock market; and Mr. Market's erratic behaviors are the ups and downs within it. It is interesting that even though the stock market can act erratically at times and prone to psychological forces, many people still tend to overly react to it. When the market has been trending upward for a period, many investors are suddenly willing to jump on board. However, when they may think "the world is coming to an end" once again and prices have fallen, they sell. Unfortunately, taking cues from Mr. Market in this fashion is often counter to what an investor's thought process should be.

As has been commented on previously in this publication, having a long-term plan and perspective, and patience, are keys to successful investing over time. The last six months are yet another excellent example of that and the possible pitfalls of falling into common behavioral traps that confront all of us at times.

As we move into the second quarter, as mentioned above, there are economic concerns on multiple fronts. This is typically the case as there always seems to be a list of issues and potential pitfalls. The topics may change, but their presence overall never seems to cease. With the start of baseball season upon us, it seems appropriate to use an additional applicable analogy in saying, "try not to swing at pitches in the dirt".

Thank you for your continued trust and confidence in Tower Wealth Managers.
We sincerely appreciate your loyalty and business.
All of us at Tower Wealth Managers and Country Club Trust Company greatly appreciate the honor of serving you and your families.
Please don't hesitate to contact us any time we may be of assistance.