



# Monthly Investment Commentary

April 2018

## VOLATILITY

To paraphrase John Bogle, founder of Vanguard and legendary investor for 66 years on Wall Street, also Art Cashin with 55 years plus on the floor of the NYSE, both confess, they have not seen this kind of elevated volatility.

When the stock market behaves erratically and the Dow careens — up and down hundreds of points in a single day — brace yourself.

The era of calm markets and small price swings is over. The new normal on Wall Street is all about wild fluctuations, mammoth moves like the Dow Jones industrial average's 1,000-point drops earlier this year, and rapid-fire price reversals that can shift the mood of the market from optimism to pessimism in a matter of minutes — and sometime seconds.

Three of the Dow's biggest daily point drops in its 122-year history, including its 1,175-point record fall on Feb. 5, have occurred this year. And its wild ride Friday, when it plunged 767 points before ending the day down 572 points, illustrates a return to volatility.

### MRM NET COMPOSITE PORTFOLIO RESULTS (As of 03/31/2018)

MRM PLATFORMS VS. BENCHMARK	YTD	1-YEAR	3 Years Annualized	5 Years Annualized
<b>Dynamic Overlay</b>	<b>+0.90%</b>	<b>+14.10%</b>	<b>+4.38%</b>	<b>+7.21%</b>
<i>Morningstar Average Tactical Return</i>	-1.49%	+7.45%	+3.26%	+4.08%
<b>All Equity</b>	<b>+7.44%</b>	<b>+34.21%</b>	<b>+10.98%</b>	<b>+12.90%</b>
<i>S&amp;P 500 Total Return</i>	-0.76%	+13.99%	+10.78%	+13.31%
<b>Dynamic International</b>	<b>-0.50%</b>	<b>+9.10%</b>	<b>+2.14%</b>	<b>+2.09%</b>
<i>MSCI EAFE with dividends</i>	-1.41%	+15.32%	+6.05%	+6.98%
<b>Global Strategies</b>	<b>+4.22%</b>	<b>+21.29%</b>	<b>+8.57%</b>	<b>+9.48%</b>
<i>(50%) S&amp;P/(50%) MSCI EAFE</i>	-1.09%	+14.66%	+8.27%	+10.32%
<b>Tax-Advantaged Income*</b>	<b>-4.36%</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<i>Dow Jones US Select Dividend Total Return</i>	-2.54%	NA	NA	NA

MRM Group claims compliance with the Global Investment Performance Standards (GIPS®). Returns are net of fees. For more information visit [www.mrminv.com](http://www.mrminv.com)

\* Tax-Advantaged Income composite started 06/01/2017.

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S&P 500's Ups & Downs

There have already been 27 trading days in 2018 on which the Standard & Poor's 500 stock index has closed up or down by more than 1%, compared to just eight days in all of last year, according to S&P Dow Jones Indices. If the current pace of 1% swings persists through year-end, it would put the large-company stock index on track for its most volatile year since the financial crisis.

The roller coaster that has investors on edge has been powered by a barrage of unsettling headlines: The war of words between the U.S. and China over tariffs. A series of market-moving tweets from President Trump. A troubling stream of news related to Facebook and its data privacy crisis. Setbacks in the self-driving car business. Ongoing worries about the threat from rising interest rates and inflation.

Trade War

The U.S.'s new transactional trade approach runs counter to the rules-based global trade system it has long championed – and is a key risk to the global economy and markets. A trade war would likely impact confidence and hurt emerging markets (EM) exports, which stand to benefit from a business spending recovery underpinning global trade.

Yet recent U.S. negotiating tactics have followed a consistent pattern: headline announcements spooking markets, followed by compromises and narrow

implementation. Most major U.S. trading partners are now exempt from what were initially global steel and aluminum tariffs. U.S. President Trump's tariffs on Chinese goods triggered another bout of market volatility. Yet the order contained no immediate action and left the door open for talks. We expect China will negotiate to avoid a trade war, as it would challenge its growth outlook and undermine policy priorities such as deleveraging.

MRM's View

Trade tensions between the U.S. and China have broad implications that go beyond bilateral trade. We see trade actions implemented so far as limited and unlikely to derail the benign economic and market backdrop – as long as they do not escalate into a trade war that could harm global growth prospects.

The total paper gain of U.S. stocks since Election Day has been sliced from \$8.7 trillion at the market's January 26<sup>th</sup> all-time high to \$5.7 trillion after last Tuesday's rebound on Wall Street, according to Wilshire. In a span of nine weeks, investors have lost \$3 trillion in market wealth and about a third of the gains since President Trump was elected have been erased.

With trade tensions, geopolitical problems, and the President's tweets, it's amazing that the S&P is within 5% of the markets all-time high. We are encouraged!

Source: BLACKROCK

MRM model holdings as of March 31, 2018

MRM Global Strategies	
HOME DEPOT INC	5.00%
BOEING CO	5.00%
ALIBABA GROUP HLDG LTD SPONSORED ADS	5.00%
CENTENE CORP DEL	5.00%
J P MORGAN CHASE & CO	5.00%
ISHARES MSCI EMERGING MARKETS INDEX	12.00%
ISHARES MSCI EAFE INDEX FUND	5.00%
ISHARES MSCI NEW ZEALAND INVESTABLE MARK	10.00%
GENERAL DYNAMICS CORP	5.00%
ISHARES S&P LATIN AMERICA 40 INDEX FUND	5.00%
ISHARES MSCI JAPAN INDEX FUND	5.00%
ISHARES MSCI SOUTH KOREA INDEX FUND	5.00%
NEKTAR THERAPEUTICS	5.00%
MASTERCARD INC COM	5.00%
RAYTHEON CO	5.00%
2U INC COM	5.00%
FDIC CASH NOT COVERED BY SIPC	8.00%

MRM Dynamic Overlay – ETFs	
ISHARES MSCI EMERGING MRKTS IND	20.00%
ISHARES MSCI EAFE INDEX FUND	5.00%
FIRST DOW JONES INTERNET INDEX	5.00%
FIRST TRUST TECHNOLOGY ALPHA	8.00%
ISHARES RUSSELL 1000 GR INDEX	5.00%
ISHARES DOW JONES US AREOSPACE	5.00%
POWERSHARES QQQ TRUST	7.00%
SPDR S&P 500 TRUST	5.00%
CONSUMER DISCRETIONARY SELECT	10.00%
VANGUARD GROWTH INDEX FUND	12.00%
FINANCIAL SELECT SECTOR SPDR	5.00%
TECHNOLOGY SELECT SECTOR	5.00%
HEALTH CARE SELECT SECTOR	5.00%
FDIC CASH NOT COVERED BY SIPC	3.00%

MRM Dynamic International	
ISHARES MSCI EMERGING MARKETS	30.00%
ISHARES MSCI EAFE INDEX FUND	20.00%
ISHARES MSCI NEW ZEALAND INV	20.00%
ISHARES MSCI JAPAN INDEX FUND	9.00%
ISHARES S&P LATIN AMERICA 40 INDEX	10.00%
ISHARES MSCI SOUTH KOREA INDEX	9.00%
FDIC CASH NOT COVERED BY SIPC	2.00%

MRM All Equity	
GALLAGHER ARTHUR J & CO	5.00%
ALIGN TECHNOLOGY INC	4.50%
BOEING CO	5.00%
ALIBABA GROUP HLDG LTD	5.00%
CENTENE CORP DEL	5.00%
ANHEUSER BUSCH INBEV	5.00%
2U INC COM	5.00%
FACEBOOK INC CL A	5.00%
GENERAL DYNAMICS CORP	5.00%
HOME DEPOT INC	5.00%
JOHNSON & JOHNSON	5.00%
MICROSOFT CORP	5.00%
HONEYWELL INTL INC	5.00%
NORTHROP GRUMMAN CORP	4.00%
NEKTAR THERAPEUTICS	4.50%
J P MORGAN CHASE & CO	5.00%
MASTERCARD INC COM	5.00%
CONSTELLATION BRANDS INC CL A	5.00%
RAYTHEON CO	5.00%
VISA INC	4.50%
FDIC CASH NOT COVERED BY SIPC	2.50%

## IMPORTANT DISCLOSURES

MRM Group, Inc. (“MRM”) is an SEC registered investment advisor and an independent management firm that is not affiliated with any parent organization. Using quantitative selection methods, each MRM strategy searches within a well-defined universe of securities, using consistent investment criteria to identify attractive investments and create diversified portfolios. MRM seeks to provide long-term capital growth.

STRATEGY	BENCHMARK	VEHICLES	CASH HOLDINGS <i>(When Potential Investments Look Unattractive)</i>
Dynamic Overlay	Morningstar Tactical Allocation	Domestic Securities	Up to 70%
All Domestic Equity	S&P 500 Total Return	Domestic Securities/ADR's	Up to 60%
Dynamic International	MSCI EAFE Gross	Exchange-Traded Funds (ETF's)/Other Securities	Up to 25%
Global Strategies	50% S&P 500 Total Return/ 50% MSCI EAFE Gross	Exchange-Traded Funds (ETF's)/Other Securities	Up to 50%
Tax-Advantaged Income	Dow Jones US Select Dividend Index	Domestic Securities	Up to 4%

The portfolios do NOT use inverse or leveraged ETFs. Universe vehicles may change, from time to time, when approved by the principal of MRM Asset Allocation Group at its sole discretion.

### BENCHMARK NOTES

Morningstar's Tactical Allocation Category averages returns for the peer group based on the return of each fund within the group, for the period shown. The S&P 500 Index with dividends is an unmanaged composite of 500 large-capitalization companies whose data is obtained from the Standard & Poor's website. S&P 500 is a registered trademark of McGraw-Hill, Inc. The MSCI EAFE Gross Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada, with data from the MSCI website using price with reinvestment of dividends. The performance of blended benchmarks is shown for comparison because MRM uses securities which track indices related to these products. The Dow Jones US Select Dividend Index comprises 100 stocks and aims to represent the U.S.'s leading stocks by dividend yield. An investment cannot be made directly into an index.

### DISCLOSURES

MRM Group claims compliance with the Global Investment Performance Standards (GIPS®). MRM has been independently verified for the periods January 1, 2008 through March 31, 2018. The verification report is available upon request. Verification assesses whether (1) MRM has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) MRM's policies and procedures are designed to calculate the present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

Valuations are computed and performance is reported in U.S. dollars. Client performance may differ based upon the structure of a particular investment program. For example, some programs are structured as wrap fee programs in which trading costs and brokerage commissions are included in one all-inclusive wrapped fee. As such, these costs may be higher than if the client were to pay trading costs and brokerage commissions separately. The standard management fee is 2.0%. Deviation from the model's diversified structure may result in different risk, return, and diversification characteristics and would therefore not be representative of the models.

All information contained herein is for informational purposes only. This is not a solicitation to offer investment advice in any state where it would be unlawful. There is no assurance that this platform will produce profitable returns or that any account will have results similar to those of the platform. Past performance is not a guarantee of future results. You may lose money. Factors impacting client returns include individual client risk tolerance, restrictions client may place on the account, investment objectives, choice of broker/dealer or custodians, as well as other factors. Any particular client's account performance may vary substantially from the program results due to, among other things, commission, timing of order entry, or the manner in which the trades are executed. The investment return and principal value of an investment will fluctuate dramatically, and an investor's equity, when liquidated, may be worth more or less than the original cost. Investors should consider the investment objective, risks, charges, and expenses carefully prior to investing.

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Client has the right to impose reasonable restriction on MRM's management of Client's account by notifying MRM in writing of its desire to impose such restrictions.

**All MRM platforms are suitable for long term investing. Please read the fact sheets and disclosures for each platform carefully before investing.**