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Dear Client,

This letter contains news and views that I feel will be of interest to you. As always, please call us at your convenience to set up your quarterly investment meeting.

Contents:

Going, Sebastien, Fisher & Le Bouef, LLP News:

- GSF&L constantly researches asset classes to include in clients' portfolios to add diversification. We offer Insurance-Linked Securities, Alternative Lending, Market Insurance, and other Alternative Strategy Securities, so feel free to contact us for more details.

- Please make note of the above letterhead indicating our other office located in Lafayette. We have been operating in Lafayette since early 2017. Should you wish to meet with us there or come visit us please do not hesitate to do so.

- Craig attended the First National Bankers Bank Summer Conference and Investment Conference June 17 to June 21, 2018 in Sandestin, FL. Sessions he attended included The Outlook of Regional Economies; Bitcoin and Blockchain; The Economic, Political and Business Climate; Engaging Generation Y to Z; and others.

- Darren attended the AICPA Advanced Personal Financial Planning Conference in Las Vegas, NV. Sessions he attended included Economic Update, A Look at Our Technology Future, Generating Tax Alpha with Effective Asset Location, and others.

Investment Views:

- ***Morningstar Data - Through June 30, 2018 - Year-to-date returns -*** Dow Jones Industrial Average -0.73%, NASDAQ Composite (dollars) 8.79%, Russell 2000 7.66%, S&P 500 2.65%, MSCI EAFE (dollars) -2.75%, and the Barclays U.S. Aggregate Bond Index -1.62%.

- **American Institute for Economic Research Rates of Interest (As of June 30, 2018) –**

Federal Funds Rate	1.92%	10-Year TIPS	0.79%
3-Month Treasury Bill	1.90%	10-Year Muni Bonds – Nat'l	2.40%
10-Year Treasury Note	2.90%	15-Year Mortgage Fixed	4.04%
30-Year Treasury Bond	3.04%	30-Year Mortgage Fixed	4.57%

- ***Northern Trust – Weekly Economic Commentary – June 15, 2018 –*** The Federal Reserve further reduced its level of accommodation by increasing interest rates once again this week. This was the seventh step in a string that began in December 2015. The move was widely expected… Fed leader Jerome Powell began his second news conference by noting that "The economy is doing very well." Growth is strong, unemployment is at a 17-year low, corporate profits are exceptional and asset markets have produced strong returns.

- ***Bureau of Economic Analysis – June 28, 2018 -*** Real Gross Domestic Product (GDP) – the value of goods and services produced by the nation's economy less the value of the goods and services used up in production increased at an annual rate of 2.0% in the first quarter of 2018, according to the "third" estimate released by the Bureau. In the fourth quarter of 2017, real GDP increased 2.9%. Personal Income increased 0.4% in May 2018, which compares to 0.2% in April and 0.3% in March.

- ***Bureau of Labor Statistics – June 12, 2018 –*** On a seasonally adjusted basis, the Consumer Price Index for All Urban Consumers increased 0.2% in May, and over the last 12 months the all items index rose 2.8% before seasonal adjustment. The unemployment rate was 4.0%. A year earlier, the jobless rate was 4.3%, and the number of unemployed persons was 7.0 million. Over the month, job gains occurred in professional and business services, manufacturing, and health care, while employment in retail trade declined.

***C*raig's Thoughts and Views:**

Alternatives to Bonds

Investors have historically lived in a two-asset world: stocks and bonds. In the past, investors have constructed portfolios of stocks as the high-risk reward asset class, and bonds as the low-risk asset class. The important decision was to figure out how much risk to tolerate – meaning, how much of a portfolio to allocate to stocks. Historically, a 100% stock portfolio produced about 15% volatility, which was more than most investors could bear. On the other hand, a 100% bond portfolio returned about 2.5% over cash, which did not provide sufficient wealth appreciation (time period: 1/1/1976-4/30/2018).

Based on stock volatility and low bond appreciation, many investors came up with a 60% stock / 40% bond asset allocation. Even if that exact percentage was not used, in general, investors did not really question the role of bonds in their portfolio as a low-yielding, "safe" asset class. Bonds being safe came about because they provide a consistent income in the form of coupon payments – and defaults on the creditworthy corporate and government bonds have been rare. Also, in a two-asset world, bonds seemed safe relative to stocks.

It may be useful to make a distinction between "safe" and "safer than stocks." If it can be shown that bonds can exhibit risk, then incorporating an alternative or an addition to bonds in a portfolio to accompany stocks may make sense.

Since mid-2016, bonds as represented by the Barclays Aggregate Bond Index (Agg), a broad market index of U.S. fixed-rate bonds, returned an annualized loss of -2.0% relative to cash. This is not to say that this performance will continue into the future, but looking at historical returns may provide some insight. During the 35-year period prior to 1981 to mid-2016, bonds returned about 4.1% per year over cash. It is easy to remember what was experienced recently, so the 1980s and early 2000s collectively rests in the minds of many investors. However, bond performance prior to the 1980s was a different story. From 1964-1981, bonds underperformed cash by 2.8% per year.

Investors can choose high credit-quality bonds with low default risk with the hope of enjoying steady income. However, the price of a bond still remains vulnerable to interest rate changes. As rates rise, a bond's price falls. Depending on the investment period, large increases in interest rates, with a resulting drop in a bond's price can more than offset the benefit of the coupon payment and result in a negative return.

For buy-and-hold bond investors, the primary risk faced is interest rate risk. For a bond that has a long maturity date, a 1% increase in interest rates will suffer a 17.57% loss (as measured by the iShares 20+ Year Treasury Bond Exchange Traded Fund). Thus, holding longer-term bonds can result in risk (portfolio value declines). As the preceding commentary indicates, "safer than stocks" does not necessarily equal "safe." The good news is investors now have other choices.

Over the past few years, our clients' portfolios have been exposed to alternative strategies to diversify risk exposure. These strategies are not new and have been around for a while, but they were not accessible to the general investing public. We (GSFL) believe that risk from securities that are uncorrelated with traditional equity and fixed income markets play an important role in protecting and growing investor wealth. The strategies that are currently being used are reinsurance, variance risk premium, and alternative lending.

The three strategies are appealing and potentially valuable because of the low correlation they have to traditional stock and bond markets. For example, Reinsurance investors suffer losses when a natural disaster strikes, but its performance is unaffected by a crashing stock market. Variance Risk Premium is designed to provide exposure to a broad array of commodities and financial instruments – the global demand for wheat and coffee is generally unrelated to the equity market movements. Alternative Lending has shown very low correlation to equity markets and its performance has reflected the payments made from over 200,000 loans by individuals, small businesses, and education loans, rather than investor sentiment.

In addition to low correlation to equity markets, the risk from alternative strategies has not been affected by rising interest rates. The Alternative Lending loans feature short duration – about 1.3 years on average, versus about 6 years for traditional fixed

income (Barclays US Aggregate Bond Index "Agg" – Source: Bloomberg). Reinsurance and Variance Risk Premium can also benefit from rising interest rates, because they generally hold 1-3 month Treasuries as collateral for the invested capital.

A portfolio of alternatives can have risk comparable to bonds and may offer the potential of higher returns. For the period July 2013 through July 2018, the cumulative return for the three alternatives was 38%, versus 12% for the Agg. Although past performance does not guarantee future results, a rising interest rate environment may continue to be a drag on bond returns.

Out of habit, investors may continue to embrace the two-asset world. However, this approach may present risks in a rising rate world. Old habits are hard to break. The risk-return characteristics of alternatives are compelling, and they should be strongly considered to have a seat next to stocks and bonds in investors' portfolios.

Tune out Noise

For investors, it can be easy to feel overwhelmed by the relentless stream of news about capital markets. Constant data and headlines presented as impactful to your financial well-being can evoke strong emotional responses from even the most experienced investors. Recent headlines "European stocks end sharply lower as U.S.-China spat ratchets up:" July 11, 2018; "U.S. stocks set to notch first loss in 5 sessions as Trump ratchets up trade clash:" July 11, 2018; "Why the Stock Market is Crashing Now, and What You Should Do About It:" February 5, 2018.

Some historical reflection may help give some perspective to the above recent headlines. Headlines from the "lost decade" can help investors answer questions about their approach.

- May 1999: DJIA Closes Above 11,000 for the First Time
- April 2000: In Less Than a Month, Nearly a Trillion Dollars of Stock Value Evaporates
- October 2002: Nasdaq Hits a Bear-Market Low of 1,114
- September 2008: Lehman Files for Bankruptcy, Merrill is Sold

Even though these events are now a decade or more behind us, they can still serve as a reminder to investors. Feelings of elation or despair can accompany headlines like these; however, we should remember that markets can be volatile. Throughout the ups and downs beginning in May 1999, a hypothetically invested $10,000 in U.S. stocks would be worth about $28,000 today.

When faced with short-term noise, it is easy to lose sight of the potential long-term benefits of staying invested. While no one has a crystal ball, adopting a long-term perspective can help change how investors view market volatility and help them look beyond the headlines.

Part of being able to avoid giving in to emotion during periods of uncertainty is having an appropriate asset allocation that is aligned with an investor's ability to bear risk. It also helps to remember that if returns were guaranteed, you would not expect to earn a premium. Investors should keep the following in mind to avoid the emotional pitfall of reacting to noise: create a portfolio you are comfortable with, understand that uncertainty is part of investing, confident in a plan that will lead to a better investment experience.

As with other aspects of our life, we can all benefit from some help in reaching our goals. The best athletes in the world work closely with a coach to increase their odds of winning. Why? They understand that wisdom of an experienced professional, combined with the discipline to move forward during challenging times, can keep them on the right track.

A recent survey conducted by Dimensional Fund Advisors found that, along with progress towards their goals, investors place a high value on the sense of security they receive from their relationship with a financial advisor. Having a strong relationship with an advisor can help you be better prepared to live your life through the ups and downs of the market.

GSF&L, LLP Registered Investment Advisors:

We can never know what the future holds, but we can make informed decisions regarding investment strategies and portfolio allocations. We (GSF&L) make changes based on our perception of opportunities in the capital markets. We assimilate fundamental, technical, and economic information to make informed decisions. Of course it is important to have long-term focus on portfolio management, but with a critical analysis of intermediate strategies.

Managing risks and opportunities are important to portfolios and reaching one's financial needs and goals. Having a complimentary understanding of investment horizon and attitude toward risk are equally important. Markets and economies do not always behave as we expect them to. That is the problem with investing! There is no luck to professional investing. You can no more have a successful, disciplined approach by luck or accident than you can win a chess tournament by luck or accident.

If you know of someone who may fit our financial and investment planning philosophy, please mention our name. We are a small organization and intend to remain so. A solid organization makes it possible for us to spend our time managing our business rather than each other. Because everyone has so much to do, much gets done. We will forego any growth opportunity that may detract from our ability to serve our clients as they have become accustomed to. We never expect to be among the biggest, but our attention to be among the best is not subject to compromise.

Regards,

Craig

Craig C. Le Bouef, MBA, CPA/PFS, CFP®

NASDAQ composite measures the performance of all issues listed in the NASDAQ Stock Market, except for rights, warrants, units, and convertible debentures. The S&P 500 is made up of 500 common stocks representing major U.S. industry sectors. The Dow Jones Industrial Average contains 30 stocks that trade on the New York Stock Exchange (NYSE) which reflect the performance of 30 large American companies. The Morgan Stanley Capital International Europe, Australia, and Far East Index (MSCI EAFE) is a market-weighted aggregate of 20 individual country indexes that collectively represent many of the major markets of the world, excluding Canada and the U.S. The Lehman Brothers U.S. Aggregate Bond Index tracks performance of debt instruments issued by corporations and the U.S. Government and its agencies. The returns for this index are total returns, which includes reinvestment of dividends. The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 8% of the total market capitalization of the Russell 3000 index.

All indices are unmanaged. It is not possible to invest in an index.

Past performance is no guarantee of future results. Diversification does not assure against market loss.