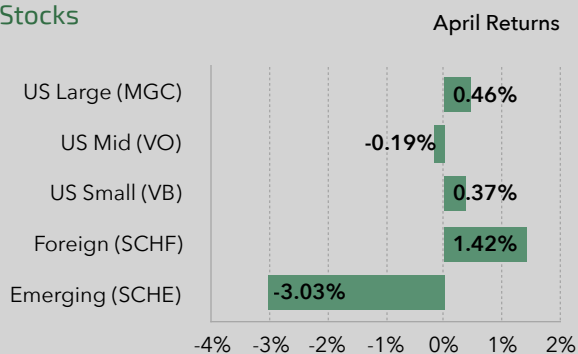


## April 2018

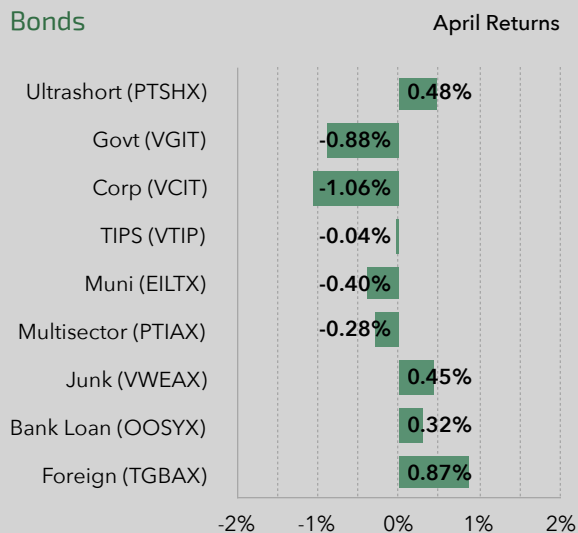
### Economic Data

- A lower-than-expected 168,000 jobs were added in April, but the headline unemployment rate dropped below 4% for the first time since 2000
- Inflation (CPI) actually fell 0.1% in March but the year-over-year rate edged up two-tenths to 2.4% while the core increased three-tenths to 2.1%
- GDP growth for the first quarter was 2.3%, slightly above economists' expectations of 2.0%
- Retail sales rebounded 0.6% in March

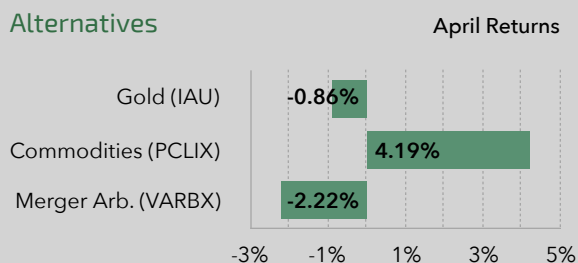
### Stocks



### Bonds



### Alternatives



Performance data provided by Morningstar.

The brain uses two systems to process information. The first type is intuitive but lazy, rapidly forming judgements with no conscious input. The second system is slow, reflective, and is not guided by emotions. It is that second system – type 2 – that we want in control of our investment portfolios.

### Now I am Become GE, the Destroyer of Wealth

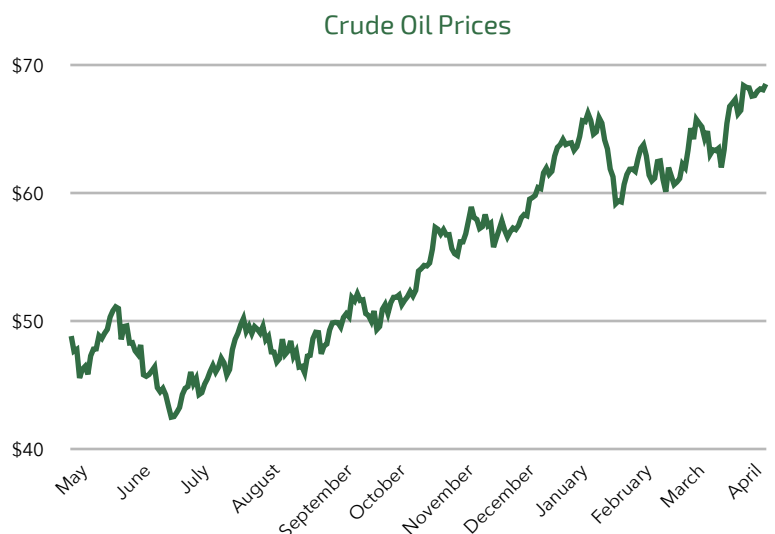
There was an article in the *Wall Street Journal* last month about a gentleman by the name of Gary Zabroski. Mr. Zabroski was a lifer at GE, putting in 40 years at the company and retiring as a punch press operator in 2016. He walked out with a comfortable \$85,000 per year pension and over \$280,000 in GE stock. Two years later and his shares have lost most of their value as GE stock has accelerated a decline that started almost 20 years ago. According to Fortune, GE hit its peak in August of 2000, with a market cap of \$601 billion. Today, the company is only worth one-fifth of that after destroying \$477 billion in wealth. What makes matters worse is GE's pension is currently underfunded to the tune of \$31 billion.

Now, with a dwindled retirement and an uncertain pension, Mr. Zabroski is cutting his retirement short and looking for work at a time when the only company he's ever known is eliminating jobs. This is why I always advise clients to limit investing in the companies they work for. So much of your financial well-being is already tied to the company. This can have a devastating impact on someone whose employer hits a rough patch – or worse, goes bankrupt. Imagine losing both your job and a significant portion of your wealth at the same time.

I get it, people are comfortable with what they know and unfamiliar situations can evoke fear in an investor. This is called *familiarity bias* and also explains why investors often shy away from foreign investments, or why doctors tend to overweight healthcare stocks. But this can result in a lack of proper diversification, the dangers of which Mr. Zabroski unfortunately learned the hard way.

### Car Company to Stop Making Cars

With the exception of the Mustang, Ford plans to stop producing cars by 2020 and focus on trucks and SUVs. This is either (a) brilliant, because they don't make money on cars, or (b) foolish, because of the chart below. We shall see.



Source: U.S. Energy Information Administration

## Portfolio Positioning

The underweight to equities was somewhat benign in April. Domestic stocks were mixed and emerging markets were down 3.03%. The only equity position to outperform ultrashort bonds was foreign developed markets stocks, which were up 1.42%.

Bonds continue to struggle as large companies like Apple dump their investment grade corporate bond holdings as part of the process to repatriate overseas cash. The Templeton Global Bond Fund (TGBAX) and ultrashort bonds (PTSHX) were the better places to be in April.

Our merger arbitrage fund (VARBX) had a somewhat rare second month in a row of losses as trade war threats between the US and China widened spreads on the Qualcomm (QCOM) / NXP Semiconductor (NXPI) deal. Chinese regulators haven't blocked the deal, but do appear to be holding it hostage as a bargaining chip. The fund's managers are still confident the deal will ultimately go through, calling it delayed, not broken. Meanwhile, PCLIX – a broad-based commodity fund – was again the best performing asset in portfolios last month, driven higher by rising prices and a positive roll yield in the oil markets. This is often the case in the late stages of the business cycle.

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Tactical Asset Allocation					
Asset Class	Heavy Underweight	Underweight	Neutral	Overweight	Heavy Overweight
<b>Cash Equivalents</b>					●
<b>Fixed Income</b>		●			
US Govt.		●			
TIPS				●	
Multisector		●			
Bank Loans		●			
Foreign Bonds			●		
<b>Equities</b>		●			
Large Cap		●			
Mid Cap		●			
Small Cap	●				
Developed Intl.		●			
Emerging			●		
<b>Alternatives</b>					●
Commodities					●
Hedging					●

## Binge Box

### Cobra Kai (YouTube Red)

Any legitimate fan of *How I met Your Mother* knows that Barney Stinson is no fan of Ralph Macchio in *The Karate Kid*, and instead sees Billy Zabka's character, Johnny, as the real hero of the story. I have to agree! Google "Daniel is the REAL bully" for a breakdown of all the evidence. YouTube's new show *Cobra Kai* is a brilliant and funny follow-up to the original movie that explores things from Johnny's perspective, giving us far more insight into the complexities of his relationship with Daniel. The show gives you just enough nostalgia and callbacks to keep you happy and set up the story, but stays a safe distance from it becoming a crutch. I'm not convinced that YouTube Red is worth adding to your monthly stable of streaming services yet, but *Cobra Kai* is reason enough to give the 30-day free trial a go.

## About EmeraldSpark

EmeraldSpark Investments, LLC is a Registered Investment Adviser based in Chicago, IL. We were founded by Ryan P. Layton, CFA in 2015 to provide personalized financial planning and fiduciary investment management services to select individuals. Our investment process blends the foundations of Modern Portfolio Theory with the latest research in the field of behavioral finance. We specialize in asset allocation and investment due diligence to help provide our clients with investment strategies personalized to match their specific goals and risk comfort zone.

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