

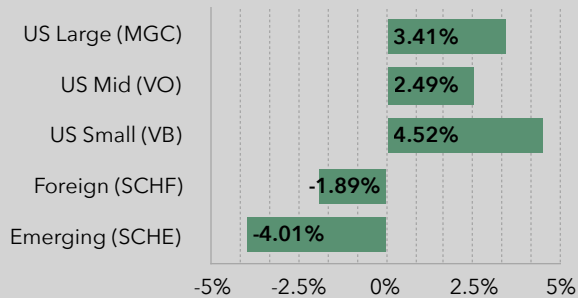
August 2018

Economic Data

- 201,000 jobs were added in August, and y/y wage growth hit 2.9% – this highest level since 2009
- Inflation (CPI) was up 2.9% y/y in July, maintaining the pace hit in June that is the highest level in six years
- Existing home sales declined for the fourth straight month, falling 0.7% in July and hitting the lowest level in over two years as the housing market continues to cool
- Retail sales were up 0.5% in July and are up 6.4% from last year

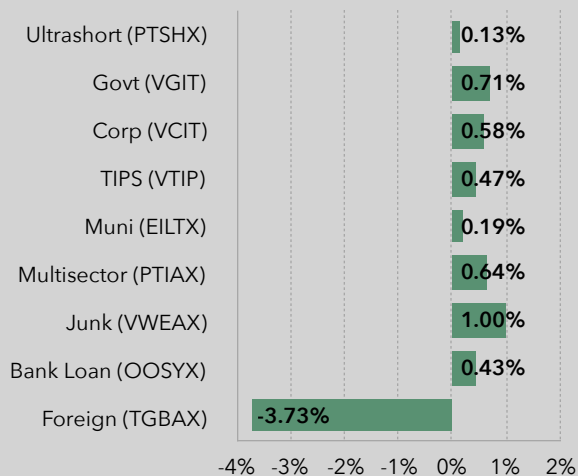
Stocks

August Returns



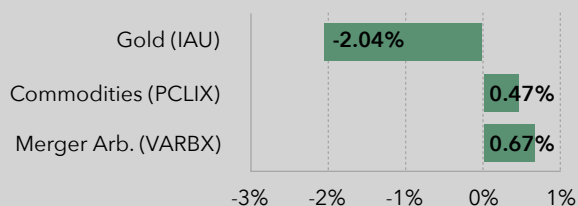
Bonds

August Returns



Alternatives

August Returns



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.

Camp CFA

I never got to go to summer camp. Sure, there was 5th grade camp, where I spent weeks raising money selling overpriced candy bars so I could join my fellow classmates and our teacher in the middle of winter somewhere so we could, I don't know, learn how to make candles and chop wood. That just wasn't the same. I dreamt of the experiences I saw in movies like Meatballs, The Parent Trap (the original...ok, and the Lindsay Lohan remake), Camp Nowhere, and even the made-for-TV Camp Cucamonga (Jennifer Aniston's breakout performance, in my opinion). It was about going back to the same place every summer to have fun and reunite with friends from years past.

As it happens, CFA Institute has such a thing. An adult summer camp of sorts, held every year down in the idyllic southern town of Charlottesville, VA. Like most summer camps, activities include soccer, golf, hiking, and swimming. The talent show stage looks a little more like a karaoke bar, though, and cultural activities include wine tastings. The biggest difference, however, is that instead of arts & crafts, we grade exams. A lot of exams. About 36,000 hand-written exams from 91 different countries and territories.

The Chartered Financial Analyst® designation is globally recognized and is considered by many to be the "gold standard" in the industry. The process for becoming a charterholder includes passing three rigorous exams that test the candidates' knowledge of a comprehensive curriculum spanning over 2,000 pages. The final exam—Level III—is half essay questions because it is not enough to just know the material, you have to be able to communicate it, as well. The hand-written responses to those essay questions need to be graded by a human, a CFA charterholder that understands the material. And it is a massive undertaking.

While the CFA Standards of Practice forbid me to talk about any information pertaining specifically to the questions and answers, I am permitted to talk about the grading process in general. The hundreds of CFA® Program exam graders are broken up into dozens of smaller teams, each assigned a part of a single question they will be responsible for grading over the course of the week. The question writing team provides each grading team with a set of guideline answers that merit credit. We as a grading team then go through an extensive set of sample exam responses, and work towards a consensus on how each one should be scored so that we will grade consistently as a team. Guideline answers are sometimes modified during this process if we encounter unanticipated answers that we believe merit credit. This is why it is so important to have only CFA charterholders grade the examinations.

Once we have established our scoring rubric, the grading begins. Captains and senior graders are on each team to check your work and help out when you need a second opinion on the merits of an exam response. It's an incredibly efficient process that involves not only the graders, but an army of staff to check-in and check-out stacks of exams and to support the scoring software and tablets. You grade for seven hours per day any time you like between 7am and 5pm with a break for lunch, and the balance of the day is yours to explore the Charlottesville area or enjoy organized social activities.

After us one-week graders go home a contingent of captains, senior graders, and others stick around for another week to regrade every exam that's in the middle of the distribution of scores to make sure deserving candidates have every opportunity to pass. And even after that, a third round of grading is

conducted for any parts of those exams where graders scored a candidate differently. This is where a final score is determined when scores do not match between the first two rounds.

Completing the CFA program and becoming a charterholder was arguably the most difficult thing I've accomplished in my life, so I am very pleased the grading process is so thorough and consistent. When I earned the right to use the CFA designation ten years ago, I was told at that time less than one in five candidates who begin the process eventually ended up earning their charter. Candidates typically spend 250-300 hours studying for each exam, and yet pass rates for each of the three levels are typically only in the 30-50% range every year. The average pass rate has been 43% over the past decade, according to the CFA Institute.

To spend a week with more than 630 other charterholders from around the globe that understand what an honor and privilege it is to be trusted to manage other people's money; that take that responsibility seriously and with the highest ethical standards, and yet still know how to have fun. Well, it was a truly rewarding experience.

I hope to be invited back next year and many years thereafter. 90-year-old Robert Hardaway, a legend of sorts at Camp CFA, has been grading for 28 years and has been involved with CFA Institute for 60. Not a bad goal to aspire to.

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Tactical Asset Allocation					
Asset Class	Heavy Under-weight	Under-weight	Neutral	Over-weight	Heavy Over-weight
Fixed Income					
Ultrashort					●
US Govt.		●			
TIPS				●	
Multisector			●		
Bank Loans	●				
Foreign Bonds			●		
Equities					
Large Cap	●				
Mid Cap	●				
Small Cap	●				
Developed Intl.		●			
Emerging			●		
Alternatives					
Commodities					●
Hedging					●

Binge Box

Jack Ryan (Amazon Prime)

Jim from *The Office* has matured beyond playing office pranks on Dwight, hit the weight room, and is now starring as Tom Clancy's famed protagonist, analyst Jack Ryan, in Amazon's eponymous new series. I've never read any of the novels the series is based on, so I can't comment on how faithful they are to the books, but I can tell you I was entertained. Something about the finance nerd becoming a badass CIA field agent in the fight against terrorism just appeals to me for some reason. There are a couple subplots that don't seem to go anywhere, but these are easily overlooked and don't detract too much from the overall quality of the show.

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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