

"My New Year's resolution is to lose thirty-eight thousand pounds."

Kaamran Hafeez; © Condé Nast — Used by permission

## A CIRCLE OF TRUST — Ned Montag, CEO

Occasionally, John and I buy lunch for everyone at MONTAG. My colleagues always say thanks, and I always think: "No one bought you lunch; you earned it. It's your hard work, commitment, and skills that inspire trust from our clients. That trust translates into good business, and running a good business buys us all lunch." It's kind of a "circle of trust" thing, as I see it.

Best of all, when we buy lunch, staff congregate and eat together. That brings out fellowship, engagement, and fosters professional and personal rapport. These qualities make for a wonderful team.

I can tell you first hand, the ladies and gentlemen you work with here have you on their mind every day; they learn your needs, help you make important decisions, and are here for you. My parents, John and I all earn a living providing services rooted in these qualities.

As I write this, the holidays have just ended, and outside my door the group is wrapping up our latest lunch. I could not be more grateful for the MONTAG team. We hope you are as enriched by our staff as John and I are. We are all lucky to have them in our lives. Happy New Year! **M**

### Inside This Issue

A Circle of Trust	1
Market Observations	1-2
Sale or Not a Sale	2
Did You Know?	3-4
Around the Research Table	3
Compliance Matters	4
New Year's Resolutions	4
Upcoming Events	4

**MONTAG Viewpoints is published quarterly by MONTAG Wealth.**  
Visit us at [montagwealth.com](http://montagwealth.com)

Georgia-Pacific Center  
133 Peachtree Street NE  
Suite 2500  
Atlanta, GA 30303

**404.522.5774**

© 2019, All Rights Reserved

January 4, 2019

## MARKET OBSERVATIONS — Chris Guinther, Portfolio Manager

### MARKET INDICES:

The markets did an about face in the fourth quarter as volatility continued to increase. As a result, the three major indices turned from positive to negative for the year. The markets saved it's most extreme action for the holiday season, with the Dow Jones Industrial Average showing eye popping gains of over 1,000 points... following a steep drop of over 600 points, on either side of Christmas Day.

For the fourth quarter, the returns were -11.31% for the Dow Jones Industrial Average, -13.52% for the S&P 500 Index, and -17.29% for the NASDAQ. The returns for these three indices for the year 2018 were -3.48%, -4.38%, and -2.84%, respectively.

The declining performance over the fourth quarter pushed all three indices near a financial phenomenon known as a "bear market," which is defined as a 20% decrease in value from an index's all-time high. While the markets showed some resiliency and rallied back

the last few trading days of the year, the 10 year-old expansion, or so called "bull market", is close to the aforementioned inflection point.

Looking forward, let's talk about what we watch at MONTAG to determine whether or not this economy may be changing direction and what adjustments need to be made. This is a year where having a Portfolio Manager focusing on your account becomes even more important. At MONTAG we utilize stocks to help us learn and understand the changing trends in the overall market environment and we tend to do this through deep stock analysis. I want to use FedEx (FDX) as an example. \*\* (See Note, page 2)

Today as I begin writing, FedEx is reporting their most recent quarter's earnings and more importantly, providing a forecast of what they expect for the next 12 months. Even with all the packages being shipped via

Continued on page 2

FedEx, their forecast is poor, and expectations of earnings are lower. This is the first time the company has guided expectations down in years. What's most interesting here is that the valuation of FDX had already been cut from a high Price to Earnings ratio of 17.5, to just below 10 and that was before this announcement. Once this news was announced, the stock headed even lower.

I bring this up to highlight that the broad selloff we've experienced in the last quarter of 2018 in stocks is likely in anticipation of an economic slowdown in 2019. Sure, the markets can sell off and rebound 5-10% any given year and sometimes multiple times within a year, but this time, this selloff feels a little more significant. Well-known companies like FedEx, Target, Citigroup, 3M, Caterpillar, Bank of America, and many more have been sold aggressively this past quarter as investors are sniffing out a problem with earnings expectations for 2019. The old saying "where there's smoke there's fire" may fit here.

The key point is, many times stock prices themselves are the most leading indicators of the direction of the company and the overall economy as a whole. We continue to focus on these disparities as we determine what we want to buy and sell in client portfolios.

## CONCLUSION

At MONTAG, one of the things Portfolio Managers constantly monitor is broad groups of stocks which gives them a sense of the direction of the overall economy. Our assignment is to utilize our research and collective thinking in order to hopefully stay in tune and even ahead of long term trends. As we see a potential rain shower or storm in the weather forecast, we want to be dressed appropriately, which is in our case to "protect and grow" our clients capital. We can do this in various ways, including holding less equity and more fixed income, or we can shift from growth stocks and cyclical stocks into companies which are not as economically sensitive, such as staples and healthcare. There are multiple scenarios which can accomplish individual client needs, so feel free to discuss this with your Portfolio Manager.

Thank you for your trust and support in allowing MONTAG to be part of your trusted management team. We don't take this responsibility lightly, and we appreciate the opportunity to be of service. **M**



Chris Guinther is a  
Portfolio Manager

---

*Often stock prices themselves are the most leading indicators of the direction of the company and the overall economy as a whole*

### **\*\*NOTE:**

*Any securities identified were selected for illustrative purposes only. Specific securities identified and described may or may not be held in portfolios managed by the Adviser and do not represent all of the securities purchased, sold, or recommended for advisory clients. The reader should not assume that investments in the securities identified and discussed were or will be profitable.*

## **SALE or NOT A SALE, THAT IS THE QUESTION – Larry Mendel , VP of Sales**

When is a discount really a discount? What is it that you are actually paying for? During the recent holiday shopping season, we were bombarded with the word "SALE" which connotes you are getting something at a better price than you might otherwise. But are you?

A "Sale" may sound good, but consider the thing you are contemplating buying. After all, you'll be stuck with it going forward. As such, taking a little time to research the item (or good) seems like an implicitly rational idea. However, that's not always what happens, is it? With time seemingly always getting away from us, we tend to not do the research necessary to determine the ultimate value of what we are getting relative to the product being offered. It is so much easier to look for the word "SALE" and just move on.

But maybe a sale comes with stipulation or caveats...or warts. When things are on sale, does it include the label "All Sales Final"? Are there restrictions on terms of the sale? Is this thing right for you?

We constantly see advertisements from large firms which are cutting fees on their services in order to bring more customers into the doors. The question I always ask, being a little cynical, is "what is in it for them?" In a seeming race to the bottom on fees for services, how do they make a profit and, therefore, stay in business? The advertising promotes the low cost and fee structure. Conspicuously absent from these ads are the concepts of customer interaction, customer satisfaction, and customer experience, as well as the other fees that could be associated with this type of service. Recently in the

---

*We are confident in the value we provide our clients and enjoy being held to the higher fiduciary standard as we focus on our clients' financial well-being*

## DID YOU KNOW?

What American City will play host to **Super Bowl LIII** on February 3, 2019?

- A. Los Angeles, CA
- B. Boston, MA
- C. Cleveland, OH
- D. Atlanta, GA

(Answer on Page 4)

Wall Street Journal, Vanguard, the low cost leader, announced that they are lowering their already low fees on some index funds (i.e., funds that follow a broad universe of investments). Most likely, they are doing this in order to lure investors from rivals. Lowering costs is somewhat easy to do as index funds need little human interaction. And this model has been tried in other industries to great effect; it is great for the Home Depot model for Do-It-Yourselfers, for example.

I know it is boring and tedious to look at a prospectus to see the underlying fees which are discreetly charged on various investment products but it is interesting what you may find. No cost, low cost, no transaction fee...really? When people ask me about the fee structure of a Registered Investment Adviser and what they are getting for it, I always say, "The markets don't know when you want to retire or what your personal situation might be." The fees can seem low because "YOU" are taking all of the investment and decision risk upon yourself and do not have the benefit of having someone that knows you or takes the fiduciary responsibility to make sure your investments fit your situation.

A portfolio manager with a Registered Investment Advisor must always be looking out for your best interest, on the best days, the worst days and while you are away on vacation enjoying the fruits of your labor. This concept is called the Fiduciary Standard, and Bill Lee, one of my associates, wrote a blog back on May 31, 2018 that addresses this. It's titled "Registered Investment Advisers: Held to a Higher Standard" and you can read it on our website. The question becomes, is this higher standard something that should matter to you? We think so.

At MONTAG, we are confident in the value we provide our clients and enjoy being held to the higher fiduciary standard. Just as with a physician, an attorney or an accountant, dealing in their area of expertise, we focus on your financial well-being. The fact that we also maintain a strong personal relationship with all of our clients is something we definitely don't discount...and it's certainly not up for Sale! 




Larry Mendel is Vice President of Sales

## AROUND THE RESEARCH TABLE



MONTAG Portfolio Managers continue to debate stocks, the economy and other recurring themes that may impact clients' investments. Here are a few of the highlights for Q4:

1. Concerns with a slowing economy and lower earnings expectations permeate discussions around the table
  - As stock prices often lead company fundamentals, in October we saw equity markets change direction, indicating investors are becoming more skeptical of 2019 earnings expectations and most likely contemplating the investment landscape within context of a slowing economy.
  - Although all sectors have been hit this quarter, typically "leading indicator" sectors such as Transports, Financials and Industrials are also being hit. This, along with international economies continuing to trend down and possibly spilling over into the U.S. markets, has us thinking defensively.
  - The Fed may have moved too quickly and is now contributing to the worldwide slow down. Fed action that attempts to control inflation has proven to work well historically, but the effects are typically not felt for 18 months. In October we began seeing declines in core inflation but unfortunately, we are also seeing most other leading indicators fall, which means the overall economy may be slowing as well.
2. Bonds and Income: The Fed has raised interest rates for the 4th time this year and they signaled in December that these increases will slow. We will continue to consider duration in clients' accounts for creating income that has been so hard to find during the zero interest rate era. 

**MONTAG**  


## COMPLIANCE MATTERS — Stacey Godwin, Chief Compliance Officer

With the ushering in of a new year, it's a great time to review your portfolio(s) in the context of **risk tolerance** and **investment goals**. At MONTAG, we take these important pieces of information seriously and memorialize them in an **Investment Objectives** document. It's important that we keep track of changes to client objectives for regulatory purposes and because they provide direction about how your money should be invested.

If you haven't reviewed your investment objectives recently with your Portfolio Manager, make it a 2019 New Year's resolution to do so, especially given recent market volatility and ever changing client circumstances.

We always enjoy hearing from you, so don't hesitate to contact your Portfolio Manager and get this important task on your calendar! **M**

## NEW YEAR'S RESOLUTIONS — Client Service Team

We all talk about it and think it's a good idea and then we make the same New Year's Resolution again next year. This year is a good opportunity to capture the information which helps prepare your family with the important financial information and contact information such as:

- ☐ Basic Information and Social Security Numbers
- ☐ Financial Information with CPA, Bank, Safe or Safe Deposit, Credit Cards and Passwords
- ☐ Legal Information, Attorney and all Executed Documents
- ☐ Insurance Information, Life and Health
- ☐ Medical Information such as Doctor, Dentist
- ☐ Miscellaneous Information, Yard Service, Lock Codes, etc.

Although not exhaustive, we have an easy-to-use guide online to assist in the process: Visit [montagwealth.com/new-years-resolutions/](http://montagwealth.com/new-years-resolutions/) and get started today. **M**



## UPCOMING EVENTS:

### EXECUTIVE BREAKFAST SERIES—Tuesday, February 5 (7:30am – 9:30am)

MONTAG hosts the next in our series of breakfasts, with a timely presentation by one of our Portfolio Managers. This series is designed for those who want a deeper dive into investment themes being discussed around the MONTAG research table. We hope you'll join us.

### FACTS & FINANCES FOR WOMEN —Wednesday, April 17 (9:30am – 1:00pm)

Since 1985, MONTAG has hosted a semi-annual seminar designed to be informative and actionable. We select speakers to present on timely topics from the non-profit community, estate and legal sensitivities, tax issues, healthcare, insurance, and — of course — investments. Be on the lookout for more information in the coming months, or feel free to contact us for details.

## DID YOU KNOW? (from page 3)

### Answer: D. Atlanta, GA

Super Bowl LIII, the 53rd Super Bowl and the 49th modern-era National Football League championship game, will decide the league champion for the 2018 NFL season. The game is scheduled to be played on **February 3, 2019**, at recently opened **Mercedes-Benz Stadium** — mere blocks from MONTAG's downtown offices in Atlanta, Georgia.

Atlanta played host to two prior Super Bowls, Super Bowl XXVIII (1994) and Super Bowl XXXIV (2000). **M**



## A PARTING THOUGHT

**“If I had my life to live again, I’d make the same mistakes, only sooner.”**

- Tallulah Bankhead  
(1903—1968)

# MONTAG

Georgia-Pacific Center  
133 Peachtree Street NE  
Suite 2500  
Atlanta, Georgia 30303  
404.522.5774  
[montagwealth.com](http://montagwealth.com)  
[info@montagwealth.com](mailto:info@montagwealth.com)

# INVESTING FOR GENERATIONS.