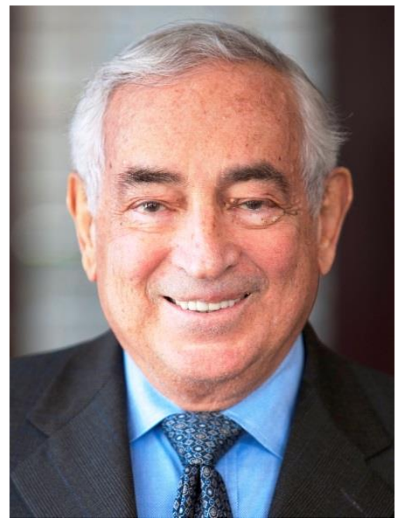
Partner Talk®



January 2019

Tumultuous Times

Edward L. Snitzer

"Things are not always as they seem, but sometimes they are"

Dean Acheson, Secretary of State to President Harry S. Truman.

It has certainly been a tumultuous, dramatic and turbulent end of 2018.

Consider the following facts:

1. The Democratic Party has retaken the House of Representatives.

2. There is a partial government shutdown that may go on for weeks.

3. Financial markets remain very volatile, given for example, an almost 1000 point dive in the Dow a few days before Christmas, and a 1,000 point rise in the Dow after Christmas.

4. The Federal Reserve continues to raise interest rates.

5. Both President's Trump's Chief of Staff and Secretary of Defense have resigned.

6. Is Brexit in, mostly in, slightly in, neither in nor out, mostly out, completely out, no change at all or absolute chaos.

7. President Trump's contentious trade and tariff policies to China and every other country in the world continue to roil markets.

What may the above facts mean?

1. Will the Democratic party try to impeach President Trump, and/or resist anything he proposes, and/or investigate his personal finances, and/or, make deals with the President benefiting the country?

2. Is the Federal Reserve right that the economy remains strong going forward into 2019, or, is there a recession on the horizon.

3. Will the 2018 decline in the stock market continue into a bear market?

4. Will the President's foreign policy initiatives be successful?

5. Will his trade and tariff policies if implemented be successful?

In Fred D. Snitzer's December 2018 cover memo (attached) to clients in he concluded:

> Although the PMA Investment Committee normally meets four times a year, we just held a special meeting, in light of market volatility, to review all of the issues discussed in this letter. Given the uncertainty of trade talks with China, and given our long term perspective and current risk assessments we have decided to maintain our existing allocations.

Most but not all of PMA clients have a moderate risk portfolio with a current 55% equity and a 45% fixed income target. The policy range for equities is 45%-60% equity. The current PMA policy for equites is to buy if the allocation falls below 52% and to sell if above 58%. The theory is to buy when equities go down and sell when they go up, counter-intuitive to what many investors do.

We have maintained this discipline to our clients benefit for over thirty-five years.

The equity allocation to a PMA moderate portfolio was approximately 55% at the end of 2017 and at the end of October was approximately 55%. It is now 50%.

Therefore, a hypothetical $1,000,000 moderate risk portfolio on 1/1/2017 with 55% equity and 45% fixed is now 50% equity and 47.5 fixed and 2.5% cash, resulting in a total portfolio decline of approximately 5%.

Consequently we are now starting to use cash to rebalance our PMA moderate portfolios by buying equities as our discipline requires.

We have scheduled another PMA investment committee on January 15th, 2019 to review again our allocations dependent on the then facts.

There is heightened current anxiety over the above facts and the possible meaning of those facts. Many of those uncertainties will be resolved in 2019 and for sure by 2020.

The United States of America, its institutions and its people will remain the land of the free and the home of the brave regardless of how these current uncertainties resolve as has been its glorious history. We expect that history to continue as far into the future as one can see.

God Bless the United States of America.

1735 Market Street • Philadelphia, PA 19103-7598 • phone 215-994-1062 • fax 215-994-1064
www.prudentmanagement.com