



NEWSLETTER 4th Quarter 2019



Pictured left to right:

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Dear Friends,

As the year 2019 passes, or for that matter when we close out any year, I am reminded to take a look at my gratitude list. You may be familiar with this wonderful exercise of creating and reviewing such a list. If you have not done this, I highly recommend it. It comes in handy especially during dire times, when you think the world is collapsing around you. We can all think of things we are grateful for. I have found it best to write them down and to build on a base list. It is amazing how fast this list grows over time. As I said, and it begs to be repeated...it gives me perspective during my trying times. Please give this a shot. I believe you will actually be grateful for starting such a list. There you go...one in the bag already.

Each year I present to you a review of the year just passed. I divide this review into two parts. The first part is based on the general principles I believe in which governs the philosophy of my advice to you. I consider this a megadose of attitudinal Vitamin C which we know human nature cannot store. The second part is a conversational review of the economic/market phenomena of the past year as I observed them.

Part One: General principles

- As I have stated many times in the past...all of my advice is goal focused and planning-driven versus market-focused and current-events-driven. I believe strongly that long-term investment success comes from continuously acting on a plan. From my experience, investment failure happens from continually reacting to current events in the economy and the markets.
- You and I are long-term equity investors, working steadfastly toward the achievement of our lifetime goals. We make no attempt to forecast or time the equity markets; we believe this forecasting and timing to be a fool's errand.
- Therefore, we accept the fact that equity markets cannot be consistently timed by us or anyone. We further believe the only way to be sure of capturing the full premium return of equities is to ride out their frequent temporary declines.
- By my count, there have been 15 "bear markets" in equities since the end of World War II—which is an average of one every five or so years. The average decline during this time was about 30%. Looking back to September of 1945 the forerunner of the S&P 500 stock index was at 16; the Index ended this past year at 3,231. As such, at least historically, the permanent advance has increased immensely above and beyond the temporary declines.
- My long term essential principles of goal focused portfolio investment management has remained unchanged. (a) Even though we measure our portfolios against benchmarks, I believe the performance of a portfolio relative to a benchmark is somewhat irrelevant to the long-term financial success we desire. (b) The true benchmark we care about is the one that indicates we are on track to accomplish the financial goals we originally set up. (c) The risk measurement we should be concerned about is the probability that we won't achieve our goals. (d) Therefore, investing should have the exclusive goal of minimizing risk.



Part Two: Current Observations

- Two thousand and nineteen was, in important ways, the mirror image of the previous year. Two thousand and eighteen was an outstanding year for the American economy, (for corporate earnings and dividends) however the equity market could not get out of its own way, and as we know ended on a terrific downbeat. (Continued on page: 6)



The Numbers

For a full analysis of the Quarter, please go to our web site at www.markahoffinancialgroup.com. Then click on Resources> Education> Investment Strategy Quarterly. Below is a brief snapshot from the report:

Capital Markets Snapshot

Index	2019	2018	Last 10 years
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Dow Jones Industrial Average	22.34%	-5.63%	10.73%
S&P 500 Index	28.88%	-6.24%	12.33%
NASDAQ Composite Index	35.23%	-3.88%	14.19%
Russell 1000G Large Cap Growth	36.39%	-1.51%	14.94%
Russell 1000V Large Cap Value	28.54%	-8.27%	11.46%
Russell 2000G Small Cap Growth	28.48%	-9.31%	12.25%
Russell 2000V Small Cap Value	22.39%	-12.86%	10.06%
MSCI EAFE Developing International	22.66%	-13.36%	5.39%
MSCI EM Emerging Markets	18.90%	-14.25%	3.73%
DJ US Select REIT U.S. Real Estate	23.10%	-4.22%	12.69%
Barclays US Intermediate Govt/Credit	6.82%	0.86%	3.05%
Citigroup World Government Bond Index	5.90%	-0.84%	1.69%

Russell 1000 Growth Index – Measures the performance of the 1,000 largest companies in the Russell 3000 Index, with higher price-to-book ratios and higher forecasted growth values. Russell 1000 Value Index – Measures the performance of the 1,000 largest companies in the Russell 3000 Index with lower price-to-book ratios and lower forecasted growth values. Russell 2000 Growth Index – Measures the performance of the 2,000 smallest companies in the Russell 3000 Index with higher price-to-book ratios and higher forecasted growth values. Russell 2000 Value Index – Measures the performance of the 2,000 smallest companies in the Russell 3000 Index with lower price-to-book ratios and lower forecasted growth values. MSCI Emerging Markets Index – A market capitalization weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Dow Jones U.S. Select REIT Index intends to measure the performance of publicly traded REITs and REIT-like securities. Barclays Capital U.S. Intermediate Credit Bond Index measures the performance of investment grade corporate debt and agency bonds that are dollar denominated and have a remaining maturity of greater than one year and less than ten years. The Citigroup WGBI G7 x U.S. (USD) is an unmanaged market value weighted index comprised of debt issued by countries in the group of 7 (Canada, France, Germany, Italy, Japan, United Kingdom, United States) excluding the United States. The MSCI EAFE is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 21 developed nations. The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. The Dow Jones Industrial Average (DJIA), commonly known as "The Dow", is an index representing 30 stock of companies maintained and reviewed by the editors of the Wall Street Journal. The NASDAQ composite is an unmanaged index of securities traded on the NASDAQ system. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results.

DON'T WANT TO DRIVE FOR YOUR APPOINTMENT???

We are now happy to offer Zoom Meeting as an option for your appointments with us.

With an easy to use, screen sharing, web based meeting, you can talk with us and just follow along on your computer without having to leave your home.

We will provide you with easy to follow instructions, and you can enjoy your meeting in the comfort of your home. Consider this option for your next meeting with us!

SHREDDING!

Do you have documents or personal information that should be shred versus placed in the garbage? Protecting personal information and your identity are very important in today's world. We offer a free shredding bin available for your use. It is locked, and our shredding service comes once a month to shred the contents of the bin on sight. You may stop at our office at any time during business hours to place paperwork in our shredder. We welcome you to take advantage of this free and valuable service.

Nicole's Kitchen – 20 Healthy Snack Ideas

We all know it's easy to overdo it over the holiday season. So if you've made that New Year's resolution to get a bit healthier, here are 20 snack ideas with minimal guilt.

1. Greek Yogurt
2. Banana
3. Veggies and Hummus
4. Almonds
5. Tuna on whole grain crackers
6. Apple
7. Oatmeal
8. Sunflower seeds
9. Celery and Natural Peanut Butter
10. Pumpkin seeds
11. Whole –wheat pretzels
12. Hard boiled egg
13. Olives
14. Cottage cheese
15. Bean dip and veggies
16. Cashews
17. Cup of vegetable soup
18. Avocado and tomato whole grain toast
19. Dates (dried)
20. String cheese

IDEAS FOR PRACTICING SELF-CARE

PHYSICAL

- go for a walk
- dance
- hike
- swim
- get a hug
- play with a dog
- clean & reorganize your room
- take a bath

MENTAL

- read a book
- learn a new skill like photography or drawing
- do a DIY project
- color
- turn your phone off

EMOTIONAL

- meditate
- practice Yoga
- light a candle
- talk with a friend
- go on a date
- journal
- write down a list of things you're grateful for

"Even if you are on the right track, you'll get run over if you just sit there."

-Will Rogers



WHAT'S HAPPENING!

Mark and Joe at a conference in Boston.

We're always learning and growing.



A recent educational event on funeral planning. Although this is never a “fun” topic to think about, our speaker made it interesting and an informative event.

Our family continues to grow. We welcome Joe's newest addition to the family, Vivian.



(Continued from page 2) The drop in the equity market from its peak to its trough in 2018 was 19.8%. This year it was the exact opposite: an exceptionally good year for the equity market-the S&P 500 was up 29%. This rise in the equity market occurred even though the economy slowed somewhat, manufacturing appeared to be stalling out, and the S&P 500's full-year earnings almost certainly trailed those of 2018.

- Over the course of this past year the market had three important forays into new high ground. First, it made up all of the ground it lost in 2018 by the end of April. It then corrected sharply which I will discuss in a moment. Some more highs occurred in June and July which then consolidated into the Fall. The third and most dramatic breakout took place in October and continued through year-end.
- These three successive waves of highs most likely occurred because of the slow realization that widespread fears of major disaster-trade wars causing a recession, and a constitutional crisis around impeachment were all overblown. The October market increase was most likely ignited by a third quarter earnings decline which proved to be far milder than anyone had forecast. Also, not one but two successive blowout monthly jobs reports put some fuel into our markets.
- The May-June drawdown lasted about a month, and took the S&P 500 down about 7%. This was not a correction, which would need to be a 10% or greater drop. This short panic attack was apparently due to some of President Trump's tweets about the China trade war.
- The reason this brief drawdown captures my attention is because during this time net liquidations in U.S. equity funds and ETFs-absolutely, and especially contrasted with bond fund inflows-soared to levels not seen since the Great Panic of 2008. This exit from equities to bonds is on par with what happened during the Great Financial Crisis! Really!
- To have such liquidations after a 10-plus year of 16% compound annual returns for the S&P 500 suggests to me to be a contrary indicator. In other words, seems to me I would be a buyer when there are so many sellers.
- Taking some inventory of the headline issues of the day: the trade situation, an aging economic expansion, impeachment/election uncertainty, and so forth-these are things at this time which we cannot predict, however, they are all irrelevant to long-term goal-focused investors like us.
- Instead, I would invite you to focus on what seems to be the default setting of the investing public, which I would describe as pessimism or sheer panic. All of my reading and experience suggest the very meaningful market setbacks have not historically occurred during huge waves of public pessimism and fear. Quite the contrary.

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- This is not to be taken as any sort of market forecast. As I have said to hopefully all of you, I'm a planner, not a prognosticator. Therefore, I invite you to take some comfort from the rampant fear abroad the land, even after a decade and more of stellar returns. There will be plenty of time to really worry when the stock market once again becomes cocktail party conversation, and everyone around you excitedly bullish.
- So be of good cheer. Also realize that 2020 will most likely not match the returns of 2019. We can however celebrate the fact that we goal-focused, planning driven investors had an exceptional year in 2019. We did so not by forecasting this year's returns-nor by jumping into the market just in time to get them-but by patiently hewing to our long-term equity discipline. That, to me, is the great lesson of this genuinely great year.

Thank you, most sincerely, for being my clients. It is an honor and a pleasure to serve you. I am in gratitude to have this opportunity to help each of you reach your goals. You will all be forever on my gratitude list.

God Bless you always,

Mark

Online Access – to log on to your online access, please go to our website above. You will client on CLIENT ACCESS, and then ENROLL IN CLIENT ACCESS.

You will need to set up a login and password, and then enter one of your new account numbers. You can find that on your statement, or give us a call at 906-226-0880, and we will gladly give you that information.

Four Blessings

As we travel through the escalating years of our lives, there is a natural tendency to reflect on the highs and lows and significant moments that shape who we are. With over sixty years under my belt, I've had considerable time to look back on many fulfilling events. There are far too many to list, of course, but some of the most poignant include a wonderful marriage with an amazing woman; a son and daughter who are sources of tremendous joy; the opportunity to work and socialize with truly inspiring people; and a successful business practice.

In addition to its gifts, life certainly presents challenges for all of us and I've had my share, but I've gotten through them all with faith. In fact, my happiness and success can be attributed to four blessings I received early in life that helped me become who I am today.



The Gift of Life

Adversity can mean different things to different people; it all depends on your perspective. For me, adversity relates to my birth mother who faced tremendous adversity in her pregnancy with me. She was incredibly poor and lived on bread and lard for sustenance but faced that challenge head-on, stared it down, and overcame it all to give me life.

Blessings in Unexpected Places

For me, an orphanage was a blessing. My birth mother had tremendous foresight and made a very difficult decision: to ensure a different path and promising future, she left me with wonderfully altruistic, hard-working people who helped shape my years as a young child. Lesser people merely going through the motions of their jobs could have impacted my life in a very negative way but by doing their very best in their positions, the good people at the orphanage guided me purposefully to the life of love and happiness I have today.

The Impact of Others

We've all heard the phrase "a blessing in disguise" and moving from a caring birth mother to an orphanage to two loving people was truly a blessing. When I look back on the life I was given, I am reminded of Loren Eiseley's short story, "The Star Thrower." It's a story about an old man and a boy who see things a little differently. They're on a beach covered with starfish, and the boy keeps picking them up to throw them back in the ocean. This looks a little strange to the old man, so he asks the boy why he is doing such a thing. When the boy responds that it's hot out and the starfish will die if he doesn't, the man exclaims that there must be 10,000 starfish on the beach and the boy won't possibly be able to make much of a difference. The boy then throws another one back in the water and says something like, "Well, it sure made a difference to that one!"

I think of myself as that starfish, tossed back in for another chance. You have the ability to do something special for someone in your life too; all you have to do is share your time and love. Every day you have the opportunity to perform a random act of kindness that will make a big difference in someone's life. You never know what kind of impact you can have by throwing a starfish back into the ocean.

Family

Family is a very deep and substantial part of my life. My parents taught me all kinds of valuable lessons and my siblings played big roles in my development. My sister, in particular, offered never-ending patience, kindness, and love, in spite of me driving her a little crazy while we were growing up. I'm very close to my extended family as well and have so much appreciation for them all.

Our families include wonderfully significant people who extend love and compassion. They could be aunts and uncles, grandparents, or even very friendly neighbors. That level of closeness can come from all walks of life, but we need to recognize it before it's too late. It's only natural for a child or an adolescent to not fully realize how important these people can be until we get older. If you're a parent, I urge you to express to your children how precious this time in their lives is with their extended family.

I am grateful for each of my blessings and I believe you can find blessings in your own life to build positive energy as well.

-By Mark Aho, an excerpt from his book.

Any opinions are those of Mark Aho and not necessarily those of Raymond James.



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