Genesis Wealth Advisors

A Wealth of Possibilities

Key Takeaways

- ***As we've been anticipating for some time, market volatility is back; whether it was the inflation scare of the recent jobs report or something else, the VIX soared***
- ***The market wide sell off in the first half of February was across both equity and bond markets, and we continue to advocate for the inclusion of less expensive, lower correlation diversifiers like liquid alternatives***
- ***Correlations moved higher across most assets as fundamentals remained weak***

Overview

- Stocks and bonds declined across most segments in February as fears grew indicating that central banks would be "taking away the punch bowl" of cheap and easy money.
- Stock market volatility spiked during the week of February 5th exacerbated by speculators that were forced to unwind short positions in the VIX (a pure sign that at least this crowded trade felt the pop of the bubble).
- Valuations remain rich for equities and bonds and there is evidence that investors have turned more risk averse.

Areas of Opportunity & Concern

- While market volatility is rarely welcome, it has been mostly absent after the crash of 2008. The long period of low volatility unfortunately contributed to a sense of market complacency.
- We continue to be strong advocates of less expensive non-correlated sources of risk and return (liquid alternatives) and longer term committed capital to areas of technological innovation such as mobility services, robotics, deep learning, gene editing technologies, and 3D printing.
- Despite the sell-off in equities during the month, valuations remain rich. On the plus side, economic growth has moved higher and the effects of low inflation remain intact. However, we would exercise caution on the fiscal front as the current administration pushes for tariffs on steel and aluminum products.
- With long term valuations stretched and sentiment moving towards a risk-off posture, we would urge caution and focus on controllable elements in the investment process such as transparency, fees and active risk management.

Key Market & Economic Indicators

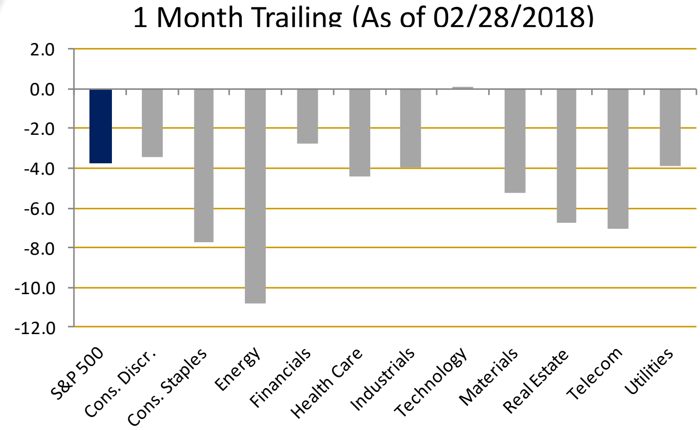
Bullish	Favorable	Neutral	Cautious	Bearish

Equities	Feb 2018	Trailing 3 Months	Trailing 1 Year	Current View
U.S. Large & Mid Cap	-3.69%	2.96%	17.10%	Cautious
U.S. Small Cap	-3.87%	-1.76%	10.51%	Cautious
International	-4.51%	1.89%	20.13%	Neutral
Emerging Markets	-4.61%	7.05%	30.51%	Neutral
Fixed Income				
U.S. Aggregate	-0.95%	-1.64%	0.51%	Neutral
U.S. Government	-0.74%	-1.76%	-0.52%	Cautious
U.S. Corporate	-1.51%	-1.65%	2.12%	Favorable
U.S. High Yield	-0.85%	0.05%	4.18%	Neutral
Non-U.S. Developed	-1.21%	2.15%	11.60%	Cautious
Emg Market Debt	-1.12%	4.77%	13.32%	Bearish
Alternatives				
REITs	-7.71%	-11.76%	-10.12%	Neutral
Commodities	-1.89%	3.68%	4.26%	Bearish
Managed Futures	-8.09%	-1.29%	-2.56%	Cautious
Hedge Fund	-2.42%	0.70%	4.26%	Favorable

Source: Morningstar *Data as of 02/28/2018*

S&P 500 Sector Returns (%)

1 Month Trailing (As of 02/28/2018)



Source: Morningstar

Important Disclosures

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Index definitions:

- "U.S. Large Cap" represented by the S&P 500 Index.
- "U.S. Small Cap" represented by the Russell 2000 Index.
- "International" represented by the MSCI Europe, Australasia, Far East (EAFE) Net Return Index.
- "Emerging" represented by the MSCI Emerging Markets Net Return Index.
- "U.S. Aggregate" represented by the Barclays U.S. Aggregate Bond Index.
- "U.S. Government" represented by the Barclays U.S. Government Bond Index.
- "U.S. Corporate" represented by the Barclays U.S. Credit Bond Index.
- "U.S. High Yield" represented by the Barclays U.S. Corporate High Yield Index.
- "Non-U.S. Developed" represented by the S&P International Treasury ex U.S. Index.
- "Emg Market Debt" represented by the JP Morgan GBI-EM Global Core Index
- "REITs" represented by the FTSE North American Real Estate Investment Trust (REIT) Equity REITs Index.
- "Commodities" represented by the Dow Jones Commodity Index.
- "Managed Futures" represented by the Credit Suisse Managed Futures Index.
- "Global Macro" represented by the Credit Suisse Global Macro Index

Direct investment in an index is not possible.

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