



2018 MARKET OUTLOOK

New Highs or New Headaches?

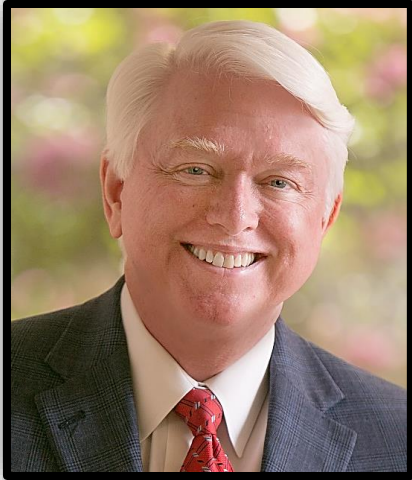
presented by:

Dennis Stearns, CFP®
President, Stearns Financial Group



RTP Chapter
January 6, 2018

Dennis Stearns, CFP®



- Dennis Stearns is a **financial planning practitioner and President of Stearns Financial Group (SFG)**, a fee-only financial planning and investment management firm with offices in Chapel Hill and Greensboro, and clients around the U.S. and overseas.
- Dennis has been called “one of the leading scenario experts and futurists in the financial planning industry” by the Financial Planning Association. He has been honored with **two national Community Service Awards** for his community work in Greensboro. He was named to a list of the “**Most Admired CEOs**” by the *Triad Business Journal* in 2016.

- He is a **TEDx speaker on The Changing Future of Jobs.**
- Dennis is **Treasurer and a board member of Gateway University Research Park**, home of the JSNN nano-center.
- He is a **partner in a Technology Business Accelerator** and is an advisory board member for the **Greensboro Chamber’s “Launch” Entrepreneur program.**
- Dennis is a former **chess expert** and was a **member of one of the winningest Pan American Chess Teams in U.S. history.** He coaches an inner city chess club and often plays up to 35 people at the same time to raise money for children’s charities.

2018 Main Message

SEPTIC

What Worked the Last Five Years

1. Low cost passive indexing
2. Underweight risk-off assets, including fixed income
3. Moderate sector overweights – “fat pitches”
4. U.S. over international stocks
5. Slow rebalancing

What to Consider in the Next Five Years

1. Low-moderate cost active strategies – stocks and bonds
2. More balanced U.S. vs. international stocks (but don't forget the Deployment phase!)
3. Moderate sector overweights – “fat pitches”
4. More aggressive rebalancing
5. Alternatives to bonds and stocks





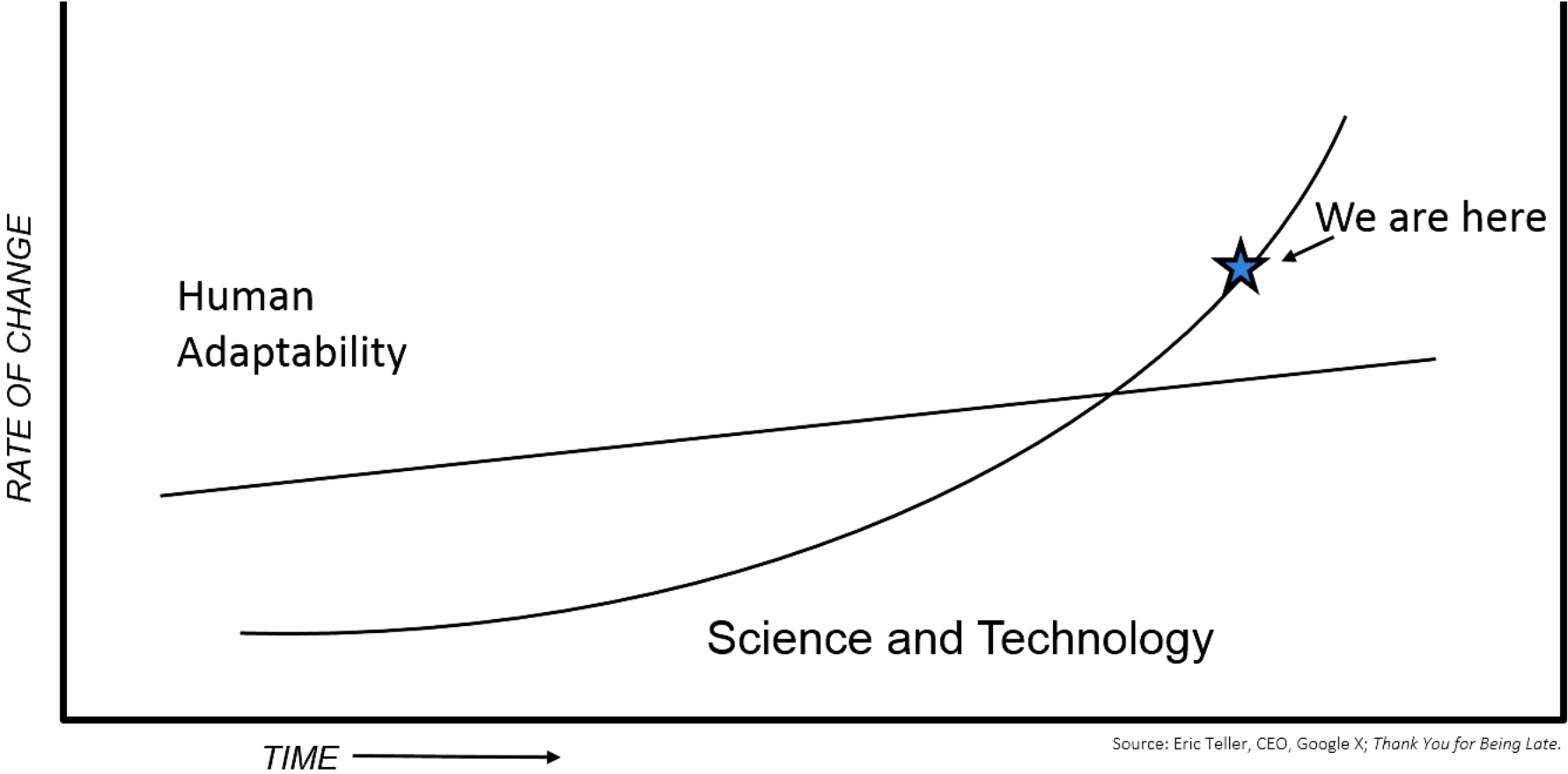
**Pace of Change =
10x Speed of
First Industrial Revolution**

Power = 300 Times

Impact = 3000 Times!!!

– McKinsey and Co. 2015 Report

Opportunity and Challenge



Source: Eric Teller, CEO, Google X; *Thank You for Being Late*.

Behavioral Finance Traps

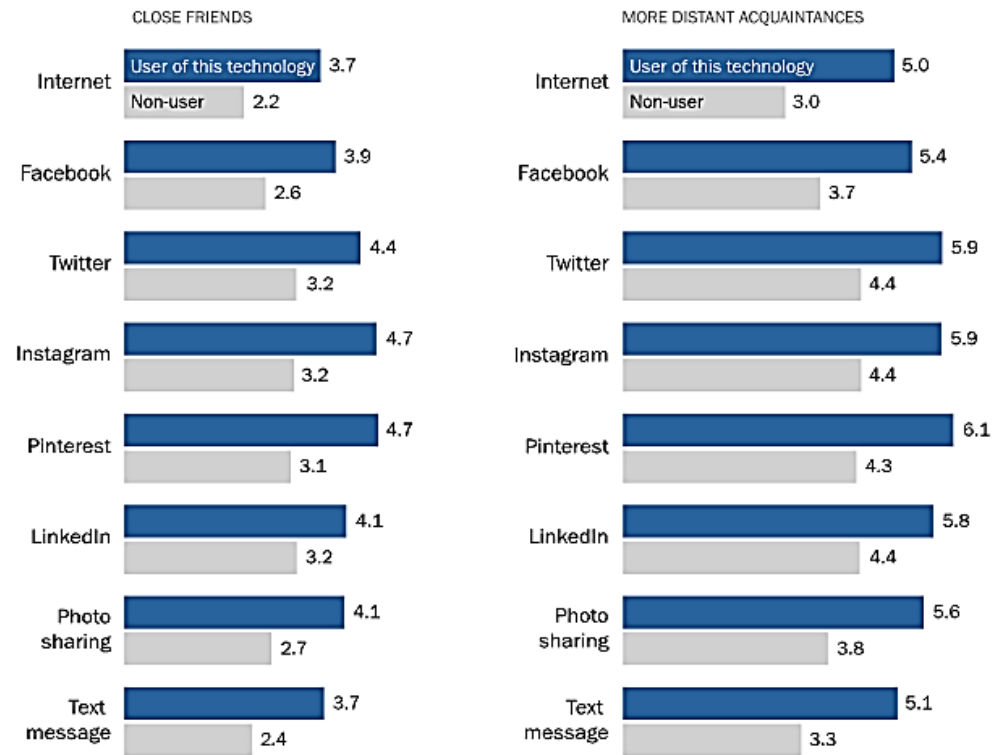
- Social Media can increase anxiety and stress
- Internet algorithms promote confirmation bias and anxiety
- Anxiety reduces the brain's ability to screen out distractions to the detriment of sound decision-making

(Source: Pew Research Center)

(Source: <http://www.jneurosci.org/content/36/11/3322>)

Technology users are aware of more stressful events in the lives of their close friends and more distant acquaintances

The average number of **stressful events** (out of a total of 12 possible) that people knew occurred in the lives of their close friends and more distant acquaintances in the past 12 months



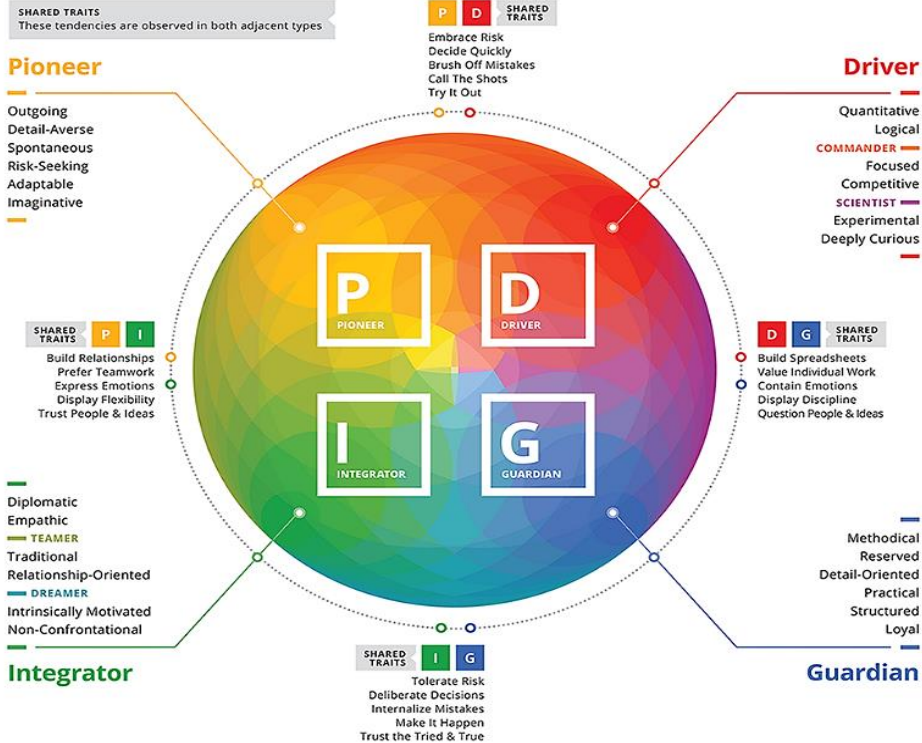
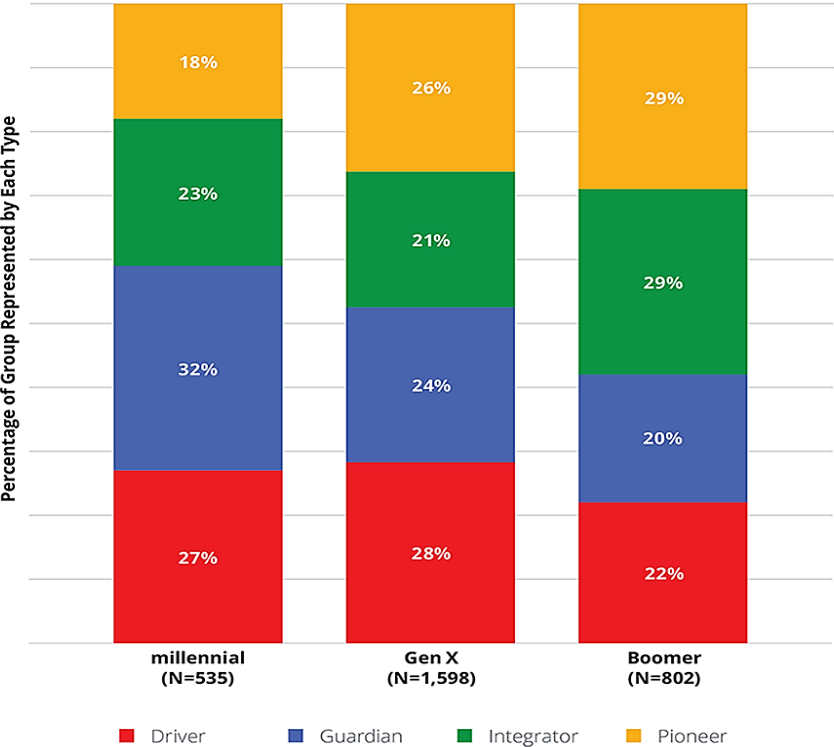
Note: Based on responses to Q4: "... Please tell me if you know someone—other than yourself—who has experienced any of the following in the past 12 months. Do you know someone who has ..." followed by a list of 12 different stressful events.

Source: August 2013 survey. N=1,801 adults.

PEW RESEARCH CENTER

Millennials

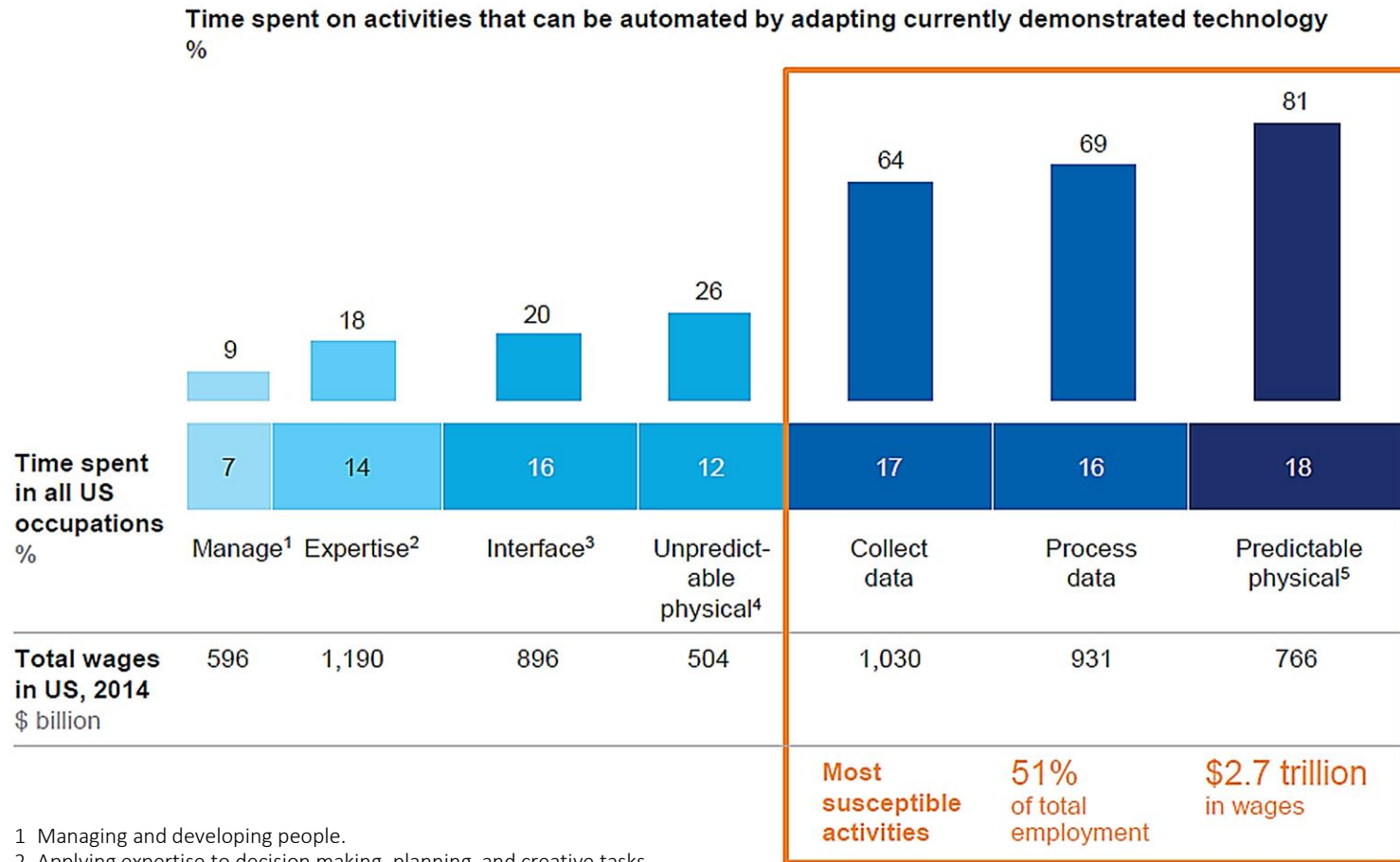
Business Chemistry and Generation



Source: <https://www2.deloitte.com/us/en/pages/about-deloitte/articles/press-releases/deloitte-greenhouse-millennial-study.html>

Super Trend Career Impact

The U.S. Job Market Susceptibility to Automation Scale



SOURCE: US Bureau of Labor Statistics; McKinsey Global Institute analysis.

- 1 Managing and developing people.
 - 2 Applying expertise to decision making, planning, and creative tasks.
 - 3 Interfacing with stakeholders.
 - 4 Performing physical activities and operating machinery in unpredictable environments.
 - 5 Performing physical activities and operating machinery in predictable environments.
- NOTE: Numbers may not sum due to rounding.

Four Stages of a Technology Disruption

1. **Frenzy** – think early railroads or dot.com boom.
2. **Consolidation (Bust)** – Coming back down to earth, usually with a bang!
3. **Deployment** – Where big profits are made, often lasts for decades.
4. **Maturity** – the Future is more evenly distributed, margins compress.

Potential Disruption Effect

1. 35% **Additional Increase** in global GDP in the next 10 years due to AI:
 - 12% enhanced worker productivity
 - 23% more consumer spending

Source: Deloitte
2. S&P 500 companies **boosting earnings** using AI, predictive global supply chains, big data analytics, automation/robots, blockchain, advanced application tools like GitHub and other technology accelerators

Financial Liquidity Cycle

Framework for Interaction Between Financial and Business Cycles

Reflation

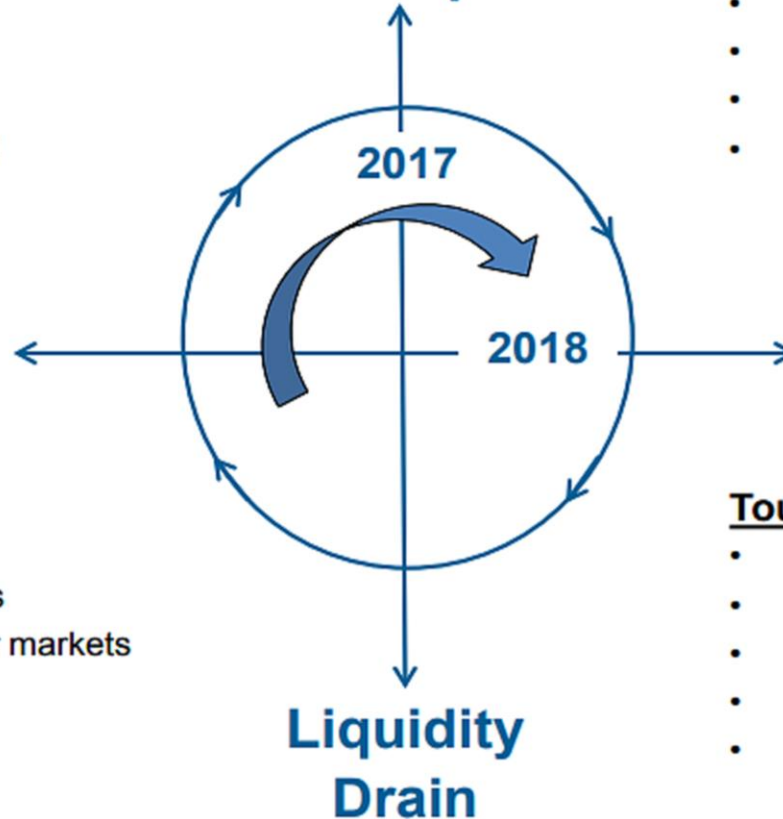
- Growth recovers
- Inflation troughs
- Policy rates low
- Bond yields rise
- Credit spreads tighten
- Equities recover

Excess Capacity

Bear Market

- (Growth) recession
- Deflationary pressures
- Credit and equity bear markets
- Bonds rally
- Safe haven sought

Liquidity Pump



Goldilocks

- Economy strengthens
- Inflation rises toward target
- Easy financial conditions
- Central banks ponder tightening
- Most assets still do well

Excess Demand

Tougher Times Ahead

- Growth peaks
- Inflation rises above targets
- Monetary policy tightened
- Bonds sell off
- Credit spreads widen

Source: Morgan Stanley Wealth Management.

Synchronized Global Growth

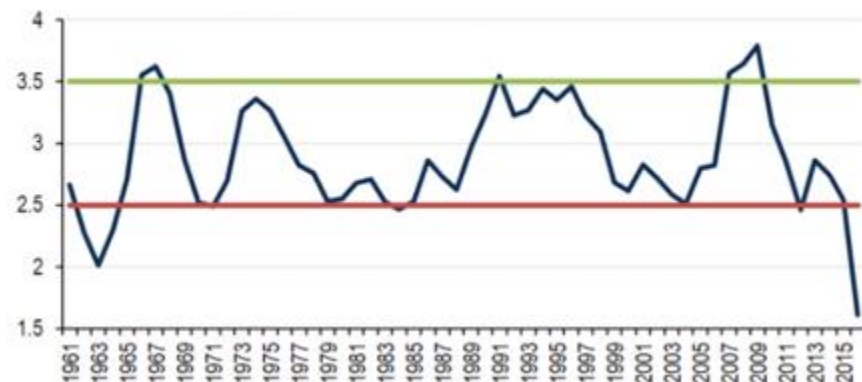
% YoY	2016	2017	2018
USA	1.5	2.1	2.5
Japan	1.0	1.6	1.2
Euro Area	1.7	2.2	1.8
UK	1.8	1.6	1.2
Brazil	(3.6)	0.9	2.1
China	6.7	6.8	6.3
India	7.4	7.0	7.7
Russia	(0.2)	2.5	3.3
Emerging Markets	4.6	5.3	5.4
Advanced Economies	1.7	2.2	2.1
World	3.2	3.8	3.9

Table Source: Goldman Sachs Global Investment Research and Goldman Sachs Asset Management (GSAM) as of August 31, 2017. The economic and market forecasts presented herein are for informational purposes as of the date of this presentation. There can be no assurance that the forecasts will be achieved. Please see additional disclosures at the end of this presentation. The economic and market forecasts presented herein are for informational purposes as of the date of this document. There can be no assurance that the forecasts will be achieved. Please see additional disclosures at the end of this document.

Top Right Chart Source: BofA Merrill Lynch Global Research.

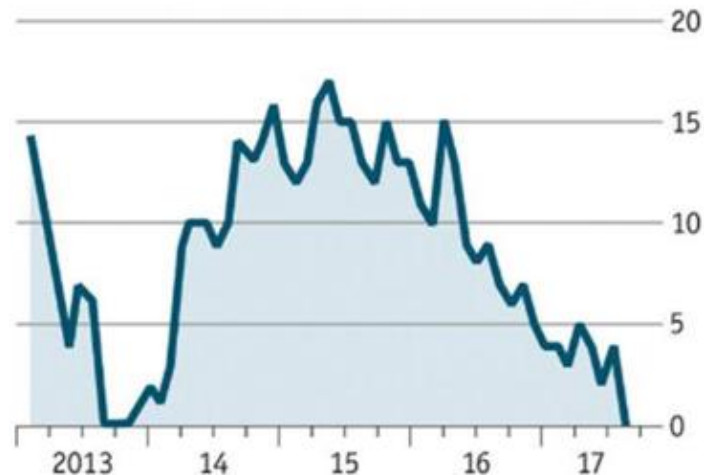
Bottom Right Chart Sources: ISM; Haver Analytics.

Chart 3: Rolling 3yr standard deviation of global growth across 45 countries



Purchasing managers' index

Number of countries with a monthly PMI value below 50, indicating a contraction of manufacturing activity



Economy vs. Stock Market

Strong
Economy



Strong
Stock Market

Unemployment Rate and Business Cycle



* SHOWN AS A 3-MONTH MOVING AVERAGE.

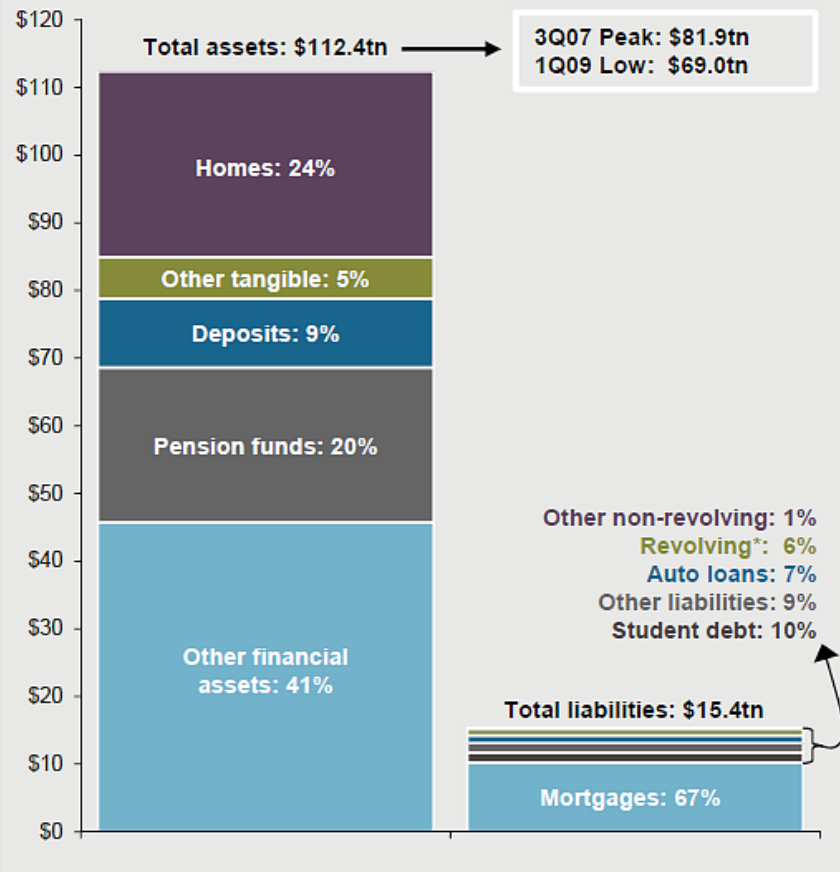
NOTE: SHADED AREAS REPRESENT NBER-DESIGNATED PERIODS OF RECESSIONS; CIRCLES IN THE CHART DENOTE THE TIMES WHEN THE 3-MONTH MOVING AVERAGE OF THE UNEMPLOYMENT RATE INCREASED BY MORE THAN ONE-THIRD OF A PERCENTAGE POINT FROM RECENT LOWS.

Source: BCA Research – Global Investment Strategy: *Don't Fear A Flatter Yield Curve*, 12/22/2017

Health of the Consumer

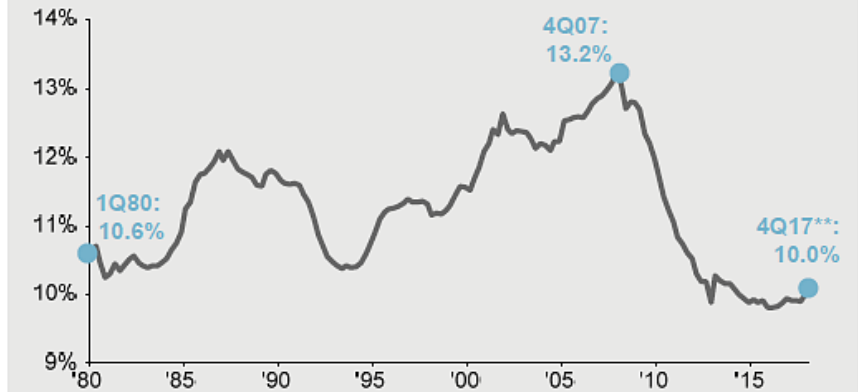
Consumer balance sheet

3Q17, trillions of dollars outstanding, not seasonally adjusted



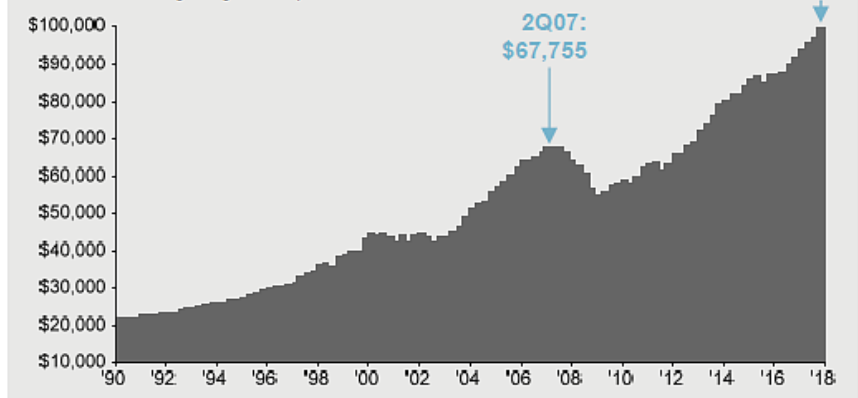
Household debt service ratio

Debt payments as % of disposable personal income, SA



Household net worth

Not seasonally adjusted, USD billions

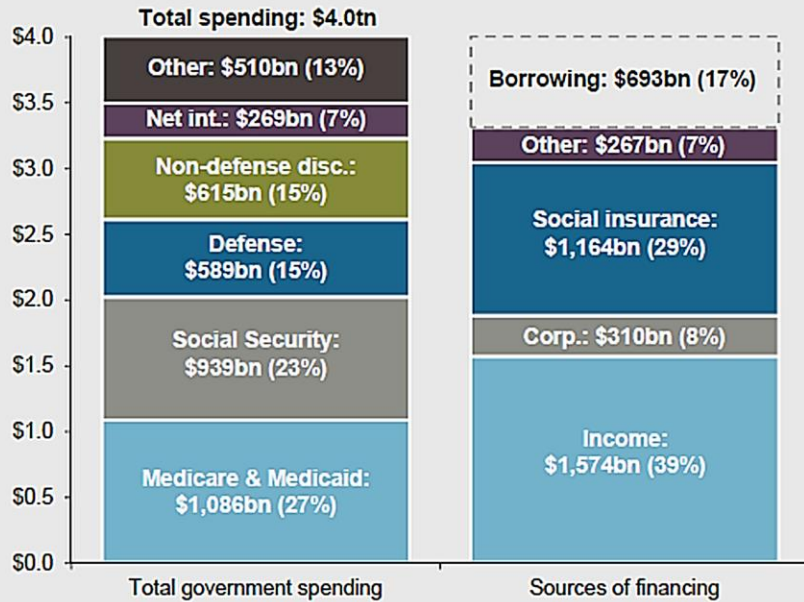


Source: FactSet, FRB, J.P. Morgan Asset Management; (Top and bottom right) BEA. Data include households and nonprofit organizations. SA – seasonally adjusted.

*Revolving includes credit cards. Values may not sum to 100% due to rounding. **3Q17 and 4Q17 figures for debt service and 4Q17 figure for net worth are J.P. Morgan Asset Management estimates. Past performance is not a reliable indicator of current and future results. *Guide to the Markets – U.S.* Data are as of December 31, 2017.

Federal Debt as % of GDP

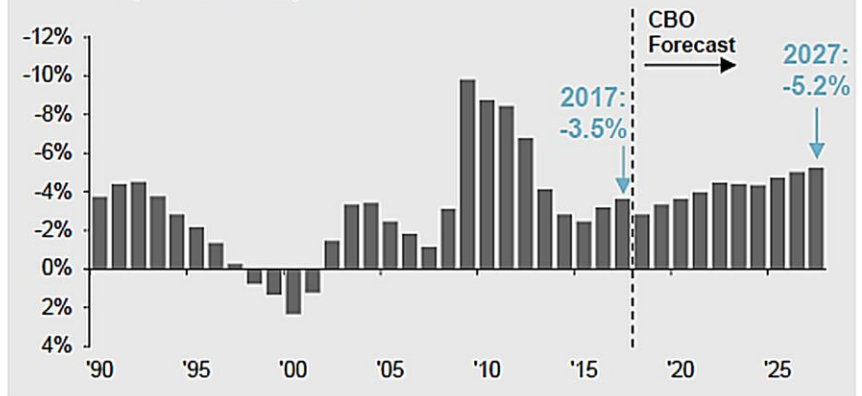
The 2017 federal budget
CBO Baseline forecast, USD trillions



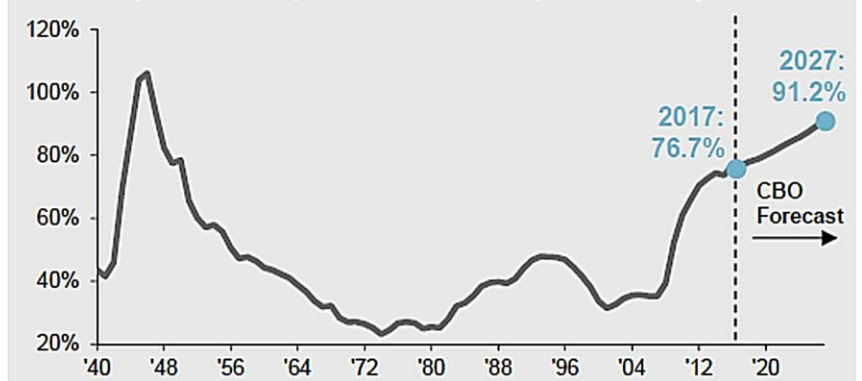
CBO's Baseline assumptions

	2017	'18-'19	'20-'21	'22-'27
Real GDP growth	2.1%	2.0%	1.5%	1.9%
10-year Treasury	2.3%	2.9%	3.5%	3.7%
Headline inflation (CPI)	2.2%	2.2%	2.4%	2.4%
Unemployment	4.5%	4.2%	4.8%	4.9%

Federal budget surplus/deficit
% of GDP, 1990 – 2027, 2017 CBO Baseline

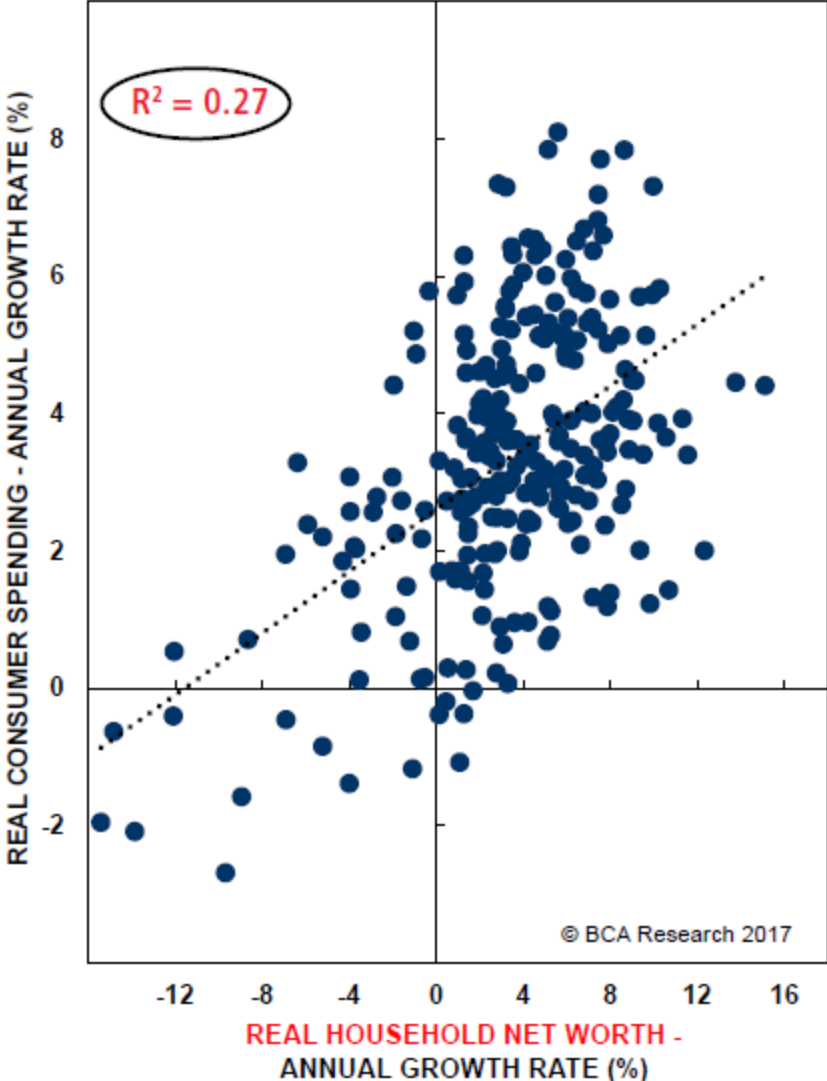
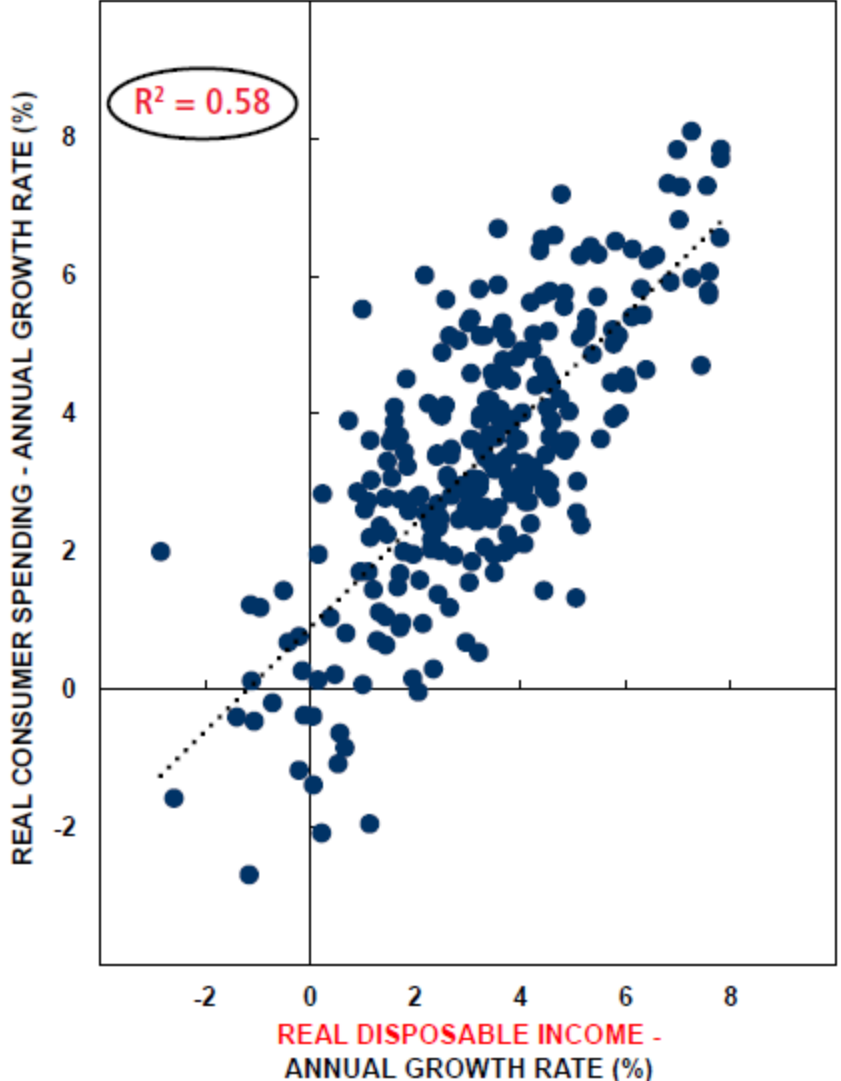


Federal net debt (accumulated deficits)
% of GDP, 1940 – 2027, 2017 CBO Baseline, end of fiscal year



Source: CBO, J.P. Morgan Asset Management; (Top and bottom right) BEA, Treasury Department. 2017 Federal Budget is based on the Congressional Budget Office (CBO) June 2017 Baseline Budget Forecast. Other spending includes, but is not limited to, health insurance subsidies, income security and federal civilian and military retirement. Please note that these estimates do not include the impacts of the Tax Cuts and Jobs Act of 2017. Note: Years shown are fiscal years (Oct. 1 through Sep. 30). Past performance is not a reliable indicator of current and future results. *Guide to the Markets – U.S.* Data are as of December 31, 2017.

Consumer Spending More Correlated with Income Than Net Worth



Source: BCA Research – U.S. Investment Strategy: *The Bucket List*, 12/18/2017.

U.S. Recession Watch

Over the next two years, long-term averages suggest a 33% U.S. recession probability



Chart Source: Goldman Sachs Global Investment Research and Goldman Sachs Asset Management (GSAM). As of August 31, 2017. The chart shows quarterly data of the unconditional probability of a US recession in the next nine quarters from January 1981 to June 2017, the latest available data. The lines show the amount of time from current levels (33%) it has historically taken to enter a recession, as defined by the National Bureau of Economic Research. The economic and market forecasts presented herein are for informational purposes as of the date of this document. There can be no assurance that the forecasts will be achieved.

2018 Scenarios

		SFG 2018 Forecast		
Scenario Type		Base Case	Bear Case	Bull Case
Concept		<i>U.S. markets moderate as monetary policy tightens with a return of normal market volatility. Economic strength, supported by deregulation and tax reform, should prove any market correction temporary and a buying opportunity.</i>	<i>Tighter monetary policy, international trade conflicts and/or a geopolitical crisis results in a repricing of risk. Economic growth disappoints but avoids a financial crisis.</i>	<i>Accelerating economic growth, supported by international trade and infrastructure investment, and investor euphoria results in another double-digit return in 2018. Interest rates and inflation rise modestly as business and consumer sentiment become more optimistic.</i>
Probability		50%	30%	20%
U.S. GDP Growth		2.65%	1.00%	3.20%
Fixed Income	U.S. 10 Year Interest Rate	2.80%	1.95%	3.10%
	U.S. 10 Year Total Return	-2%	6%	-3.50%
Global Equity Markets		<i>Global synchronized growth and strong corporate earnings will remain in place for most of 2018, yielding positive returns for U.S. and International stocks. International stocks are likely to continue to lead markets, although currency trends will influence the relative return between the two segments.</i> <i>S&P 500 ends the year at 2,810, representing an approximate 7.0% total return.</i>	<i>A contraction in valuation multiples coupled with slower corporate growth as the year unfolds results in a 10+% correction in equity markets.</i> <i>S&P 500 ends the year at 2,385, representing an approximate (9.0%) total return.</i>	<i>"Risk-on" trade benefits financial markets, with stocks continuing to outperform bonds. International and Emerging Market stock, along with growth-oriented investments, continue to lead markets - extending the trend of International outperformance.</i> <i>S&P 500 ends the year at 3,015, representing an approximate 14.6% total return.</i>
Unemployment		4.0%	4.6%	3.8%
Oil		\$60	\$45	\$70
Inflation (Core CPI)		2.00%	1.80%	2.10%

Source: Stearns Financial Group

SFG cannot guarantee projections or that estimates will actually be met. Investing involves risk, including possible loss of principal. Please see our disclosures at the end of this document.

Asset Class Returns

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2003 - 2017	
															Ann.	Vol.
EM Equity 56.3%	REITs 31.6%	EM Equity 34.5%	REITs 35.4%	EM Equity 39.8%	Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	EM Equity 12.7%	EM Equity 23.0%
Small Cap 47.3%	EM Equity 26.0%	Comdty. 21.4%	EM Equity 32.6%	Comdty. 16.2%	Cash 1.8%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Small Cap 11.2%	REITs 22.3%
DM Equity 39.2%	DM Equity 20.7%	DM Equity 14.0%	DM Equity 26.9%	DM Equity 11.6%	Asset Alloc. -23.4%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	REITs 11.1%	Small Cap 18.8%
REITs 37.1%	Small Cap 18.3%	REITs 12.2%	Small Cap 18.4%	Asset Alloc. 7.1%	High Yield -26.9%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	Large Cap 9.9%	Comdty. 18.8%
High Yield 32.4%	High Yield 13.2%	Asset Alloc. 8.1%	Large Cap 15.8%	Fixed Income 7.0%	Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	High Yield 9.6%	DM Equity 18.4%
Large Cap 28.7%	Asset Alloc. 12.8%	Large Cap 4.9%	Asset Alloc. 15.3%	Large Cap 5.5%	Comdty. -35.6%	Large Cap 26.5%	High Yield 14.8%	Asset Alloc. -8.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	DM Equity 8.6%	Large Cap 14.5%
Asset Alloc. 26.3%	Large Cap 10.9%	Small Cap 4.6%	High Yield 13.7%	Cash 4.8%	Large Cap -37.0%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Asset Alloc. 8.3%	High Yield 11.3%
Comdty. 23.9%	Comdty. 9.1%	High Yield 3.6%	Cash 4.8%	High Yield 3.2%	REITs -37.7%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Fixed Income 4.1%	Asset Alloc. 11.0%
Fixed Income 4.1%	Fixed Income 4.3%	Cash 3.0%	Fixed Income 4.3%	Small Cap -1.6%	DM Equity -43.1%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	Cash 1.2%	Fixed Income 3.3%
Cash 1.0%	Cash 1.2%	Fixed Income 2.4%	Comdty. 2.1%	REITs -15.7%	EM Equity -53.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	Comdty. -0.3%	Cash 0.8%

Source: Barclays, Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management. Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Barclays Global HY Index, Fixed Income: Barclays US Aggregate, REITs: NAREIT Equity REIT Index. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EME, 5% in the MSCI EAFE, 25% in the Barclays US Aggregate, 5% in the Barclays 1-3m Treasury, 5% in the Barclays Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period of 12/31/02 - 12/31/17. All data represents total return for stated period. Past performance is not indicative of future returns. *Guide to the Markets - U.S.* Data are as of December 31, 2017.

Stock Performance Prior to a Recession

Too Soon To Get Out

ANNUALIZED REAL RETURNS (%) PRIOR TO RECESSIONS	MONTHS PRIOR TO RECESSION					NON-RECESSION MONTHS
	13-24 MONTHS	1-24 MONTHS	7-12 MONTHS	1-12 MONTHS	1-6 MONTHS	
S&P 500	<i>Returns tend to be strong in the late stage of the business cycle...</i>			<i>...but don't overstay your welcome</i>		
AVERAGE RETURNS POST-1950s	14.2	6.8	8.0	0.1	-7.8	10.1
JUL 1953 - MAY 1954	21.9	12.0	17.8	2.0	-13.8	14.7
AUG 1957 - APR 1958	15.8	7.1	-17.0	-1.6	13.9	19.3
APR 1960 - FEB 1961	31.3	16.8	6.6	2.2	-2.2	15.8
DEC 1969 - NOV 1970	13.4	-1.3	-11.0	-15.9	-20.7	5.8
NOV 1973 - MAR 1975	16.9	4.9	-11.3	-7.0	-2.7	6.2
JAN 1980 - JUL 1980	0.5	2.2	6.8	5.4	4.0	3.1
JUL 1981 - NOV 1982*	32.2	10.5	-11.2	4.0
JUL 1990 - MAR 1991	14.3	13.1	22.2	11.9	1.6	14.0
MAR 2001 - NOV 2001	8.9	-0.7	20.0	-10.3	-40.6	12.5
DEC 2007 - JUN 2009	11.6	7.6	13.6	3.6	-6.3	4.0

* FIRST 2 COLUMNS OMITTED DUE TO OVERLAP WITH PREVIOUS RECESSION PERIOD.

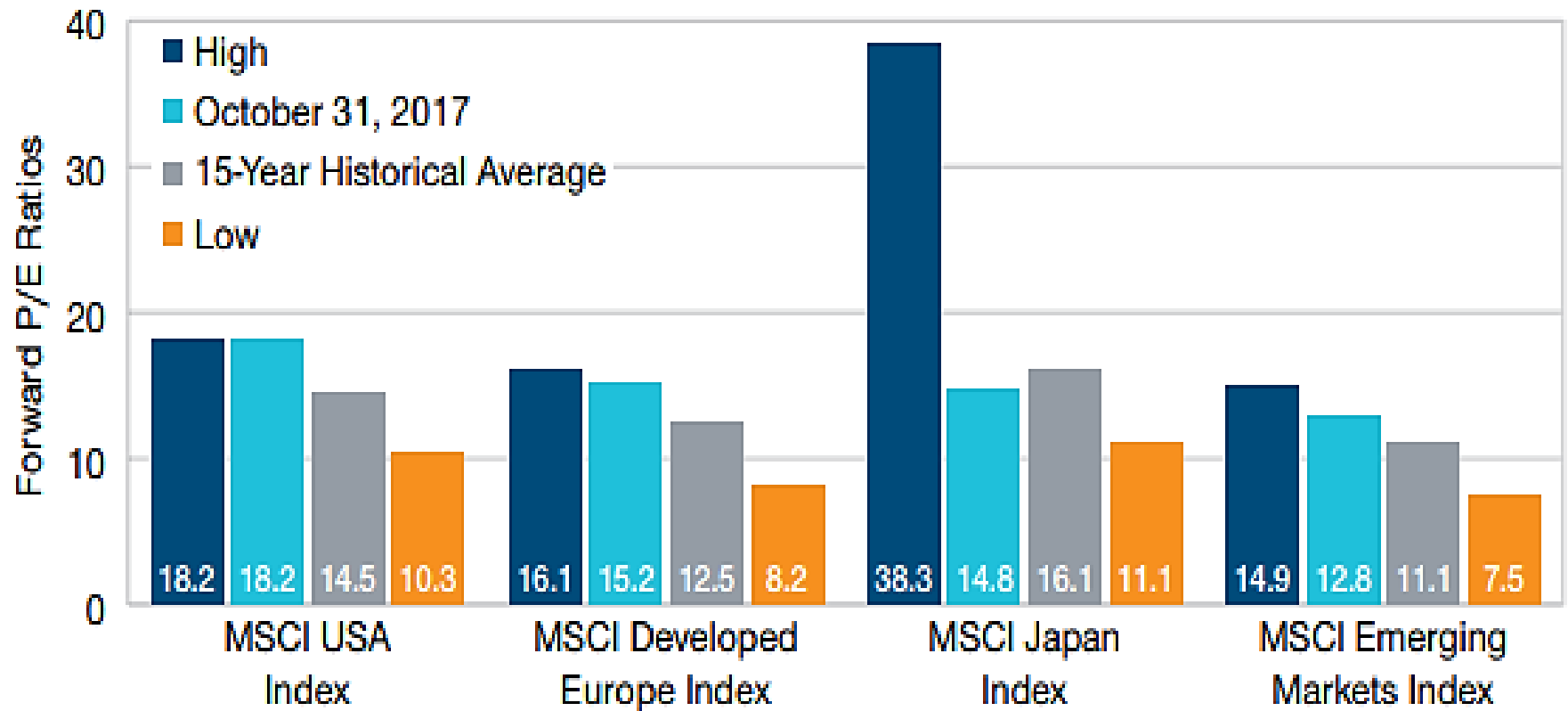
NOTE: MONTHLY RETURNS ARE ANNUALIZED AND DEFLATED BY THE CONSUMER PRICE INDEX; CALCULATIONS ARE BASED ON TOTAL RETURN INDEX.

Source: BCA Research – Global Investment Strategy: *Don't Fear A Flatter Yield Curve*, 12/22/2017

Past performance is not indicative of future results.

Elevated Stock Valuations

Forward One-Year Price/Earnings Ratios, December 2001 Through October 2017



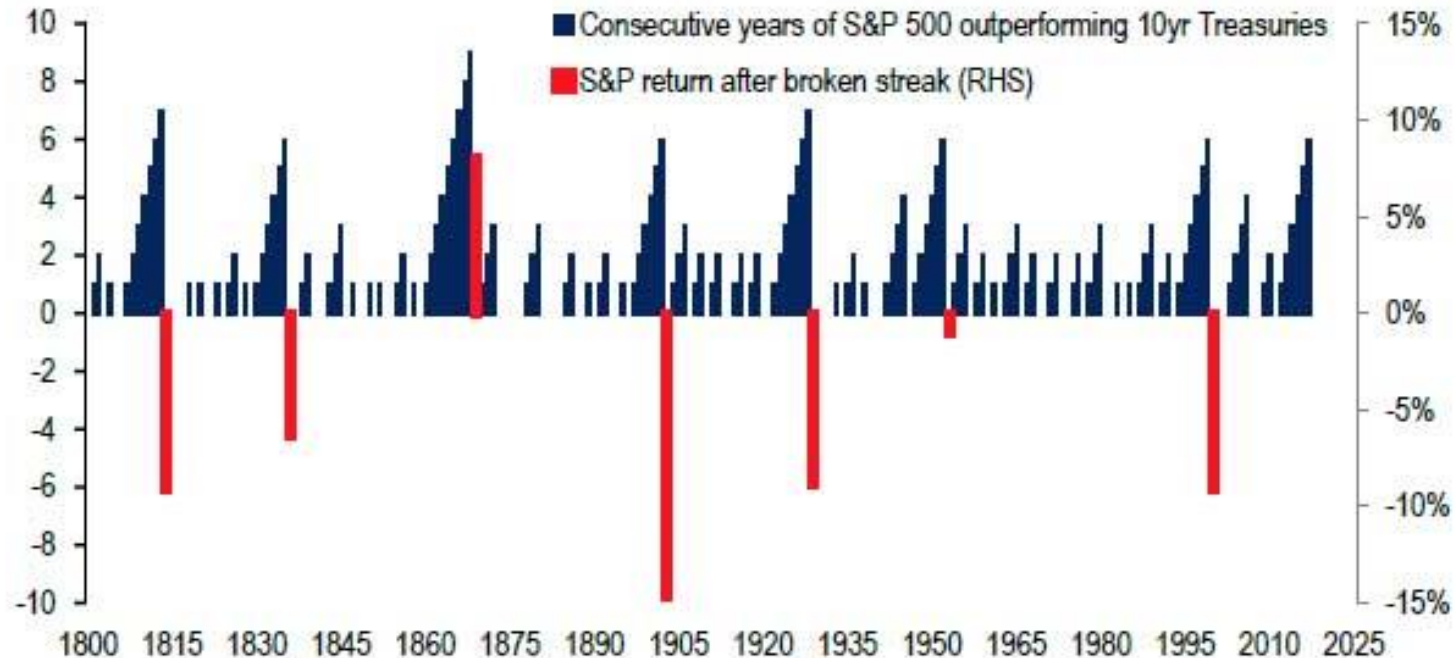
Source: FactSet and T. Rowe Price.

Chart is shown for illustrative purposes only and does not represent the performance of any specific security.

Past performance is not indicative of future results.

Stock Outperformance

Chart 1: The last time Equities outperformed Bonds for 7 straight years was 1928



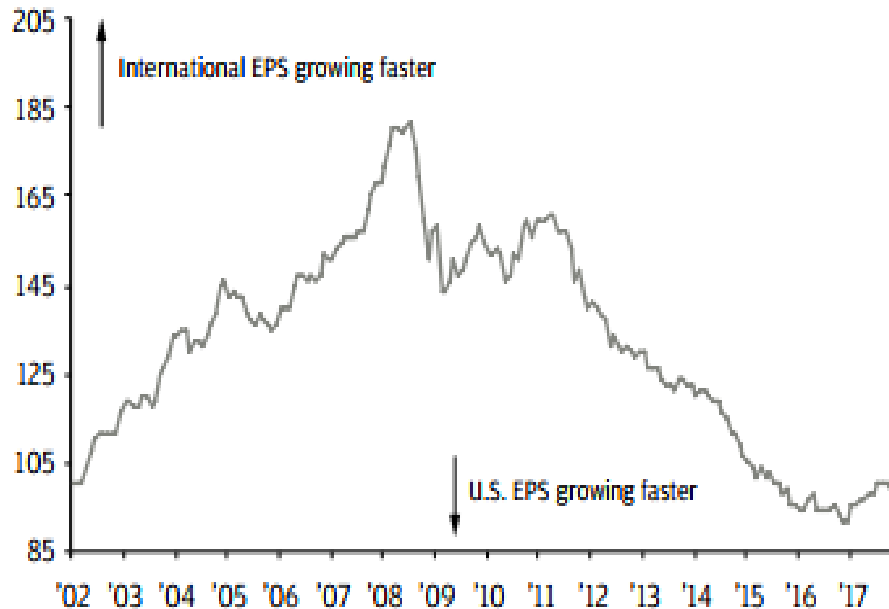
- Bull market in S&P500 would become the longest ever on August 22, 2018 (and the second biggest ever at 2863 on S&P500).
- Equities have only outperformed bonds for seven consecutive years on three occasions in the past 220 years (the last time was 1928 - Chart 1).

Source: BofA Merrill Lynch Global Investment Strategy, Global Financial Data
Past performance is not indicative of future results.

International Stocks

After years of U.S. earnings outpacing international, a reversal is beginning.

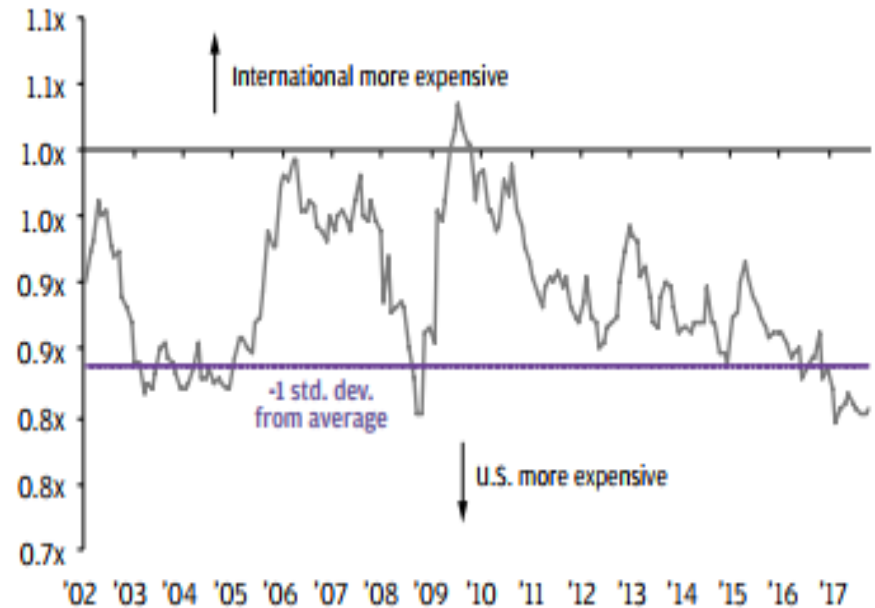
MSCI ACWI EX-U.S. VS. S&P 500 FORWARD EPS, USD, JAN. 2002 = 100



Sources: Compustat, FactSet, Standard & Poor's, J.P. Morgan Asset Management. Data are as of November 10, 2017.

International near record low P/E levels relative to the U.S.

MSCI ACWI EX-U.S. VS. S&P 500 FORWARD PRICE-TO-EARNINGS RATIO



Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management. Data are as of November 10, 2017.

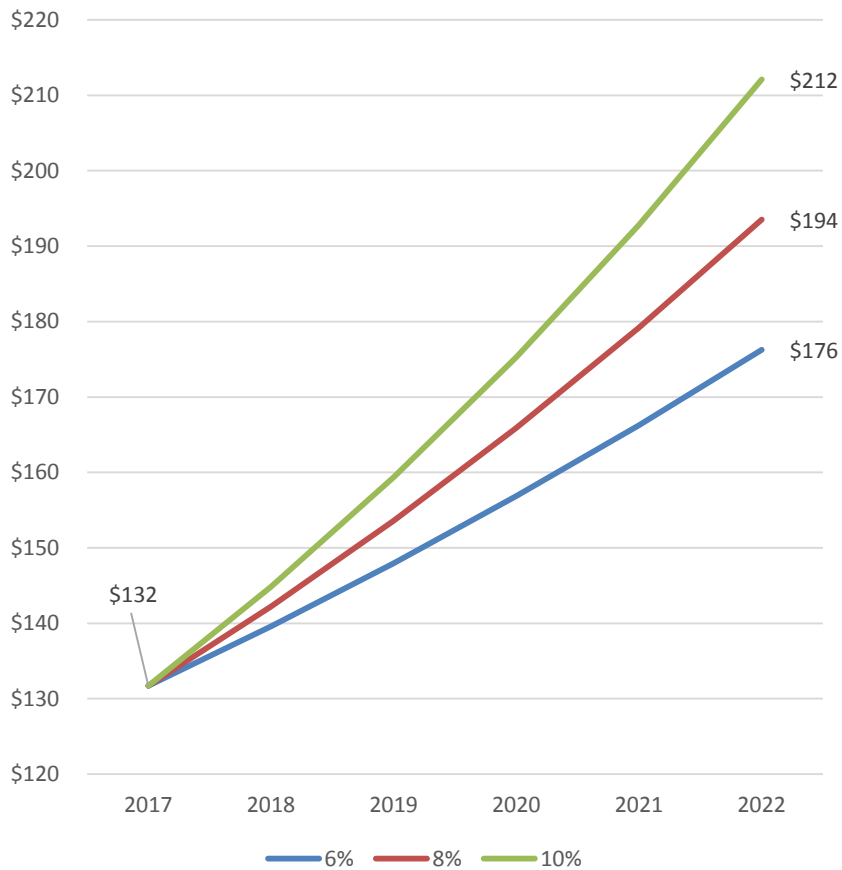
Corporate Tax Reform Impact on Stocks

1. Expect earnings to be turbocharged for the S&P 500 and many individual companies.
2. Most S&P 500 CEOs say they will pay down debt and buy back stock with majority of tax savings cash flow – don't count on a large overall economic tailwind.
3. Financial sector stocks may be the biggest beneficiary of combination of corporate tax reform and regulatory reform.

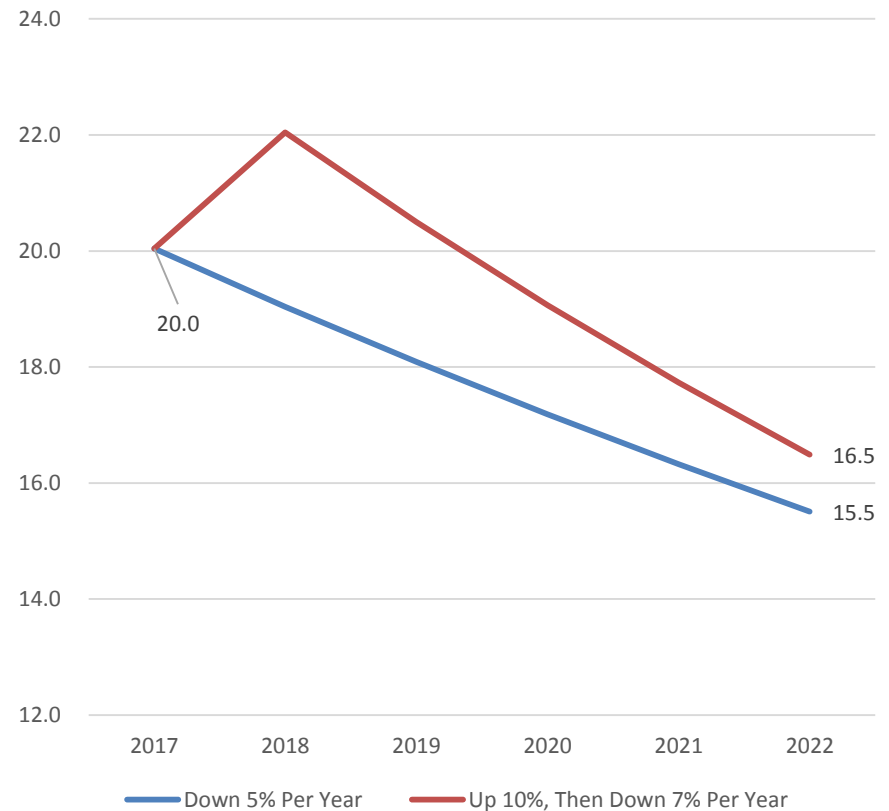
Could the combination of corporate tax reform cash flow bonus plus continuing low interest rates and inflation be the catalyst for the next leg up in the bull market for U.S. stocks?

U.S. Stock Scenarios – Five-Year View

S&P 500 Index - Projected EPS

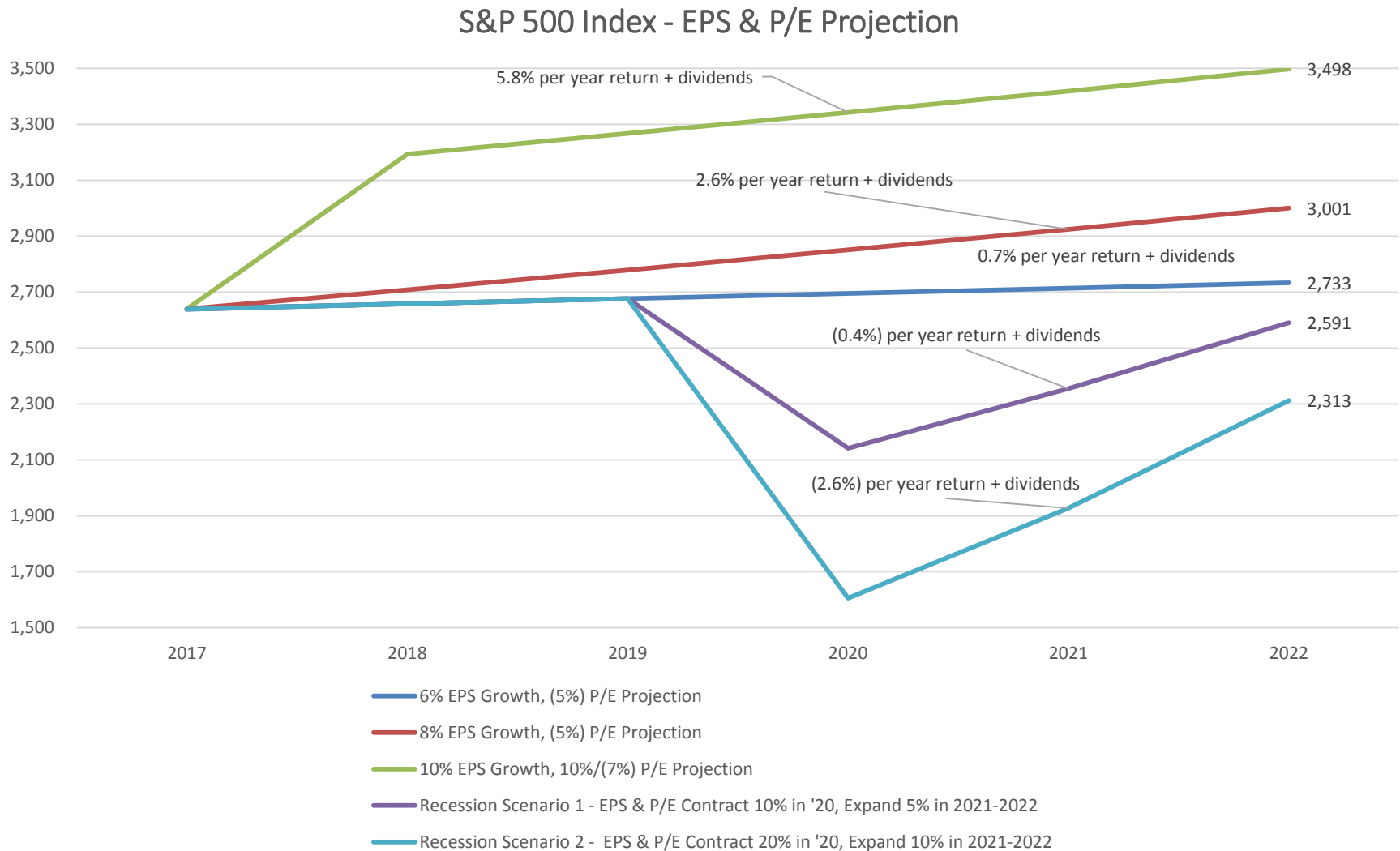


S&P 500 Index - P/E Ratio Projection



SFG cannot guarantee projections or that estimates will actually be met. Investing involves risk, including possible loss of principal. Please see our disclosures at the end of this document.

U.S. Stock Scenarios – Five-Year View

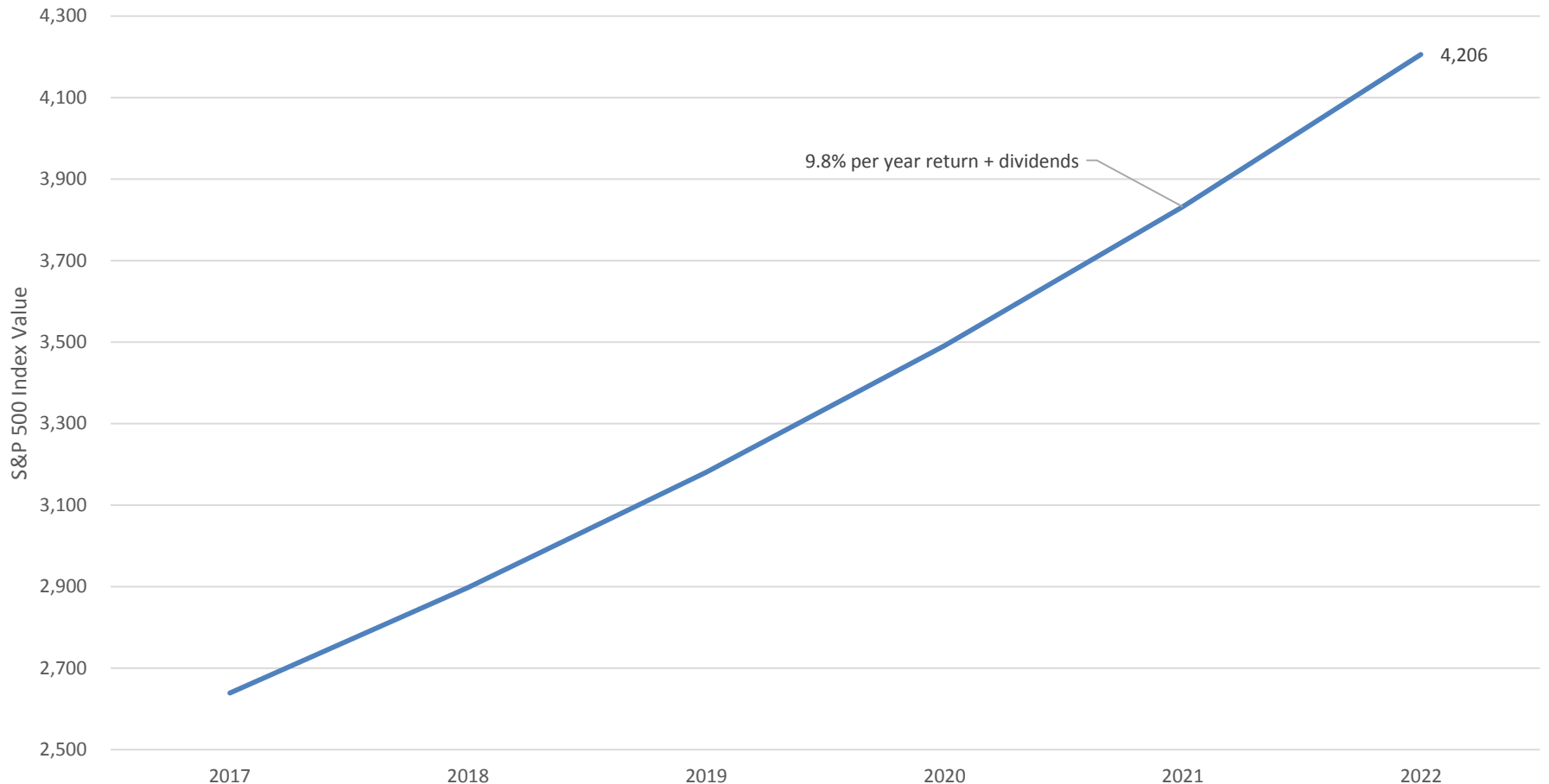


Calculated return is an annual IRR based on the price return, using a beginning value of 2,639 and the ending value for each scenario. Past performance is no guarantee of future results.

Potential Impact of the Techno-Industrial Revolution?

Potential Innovation Boost in Deployment Phase

12% EPS Growth, (2%) P/E Contraction



Invest in Prime Disruptors or Benefactors?

amazon

and



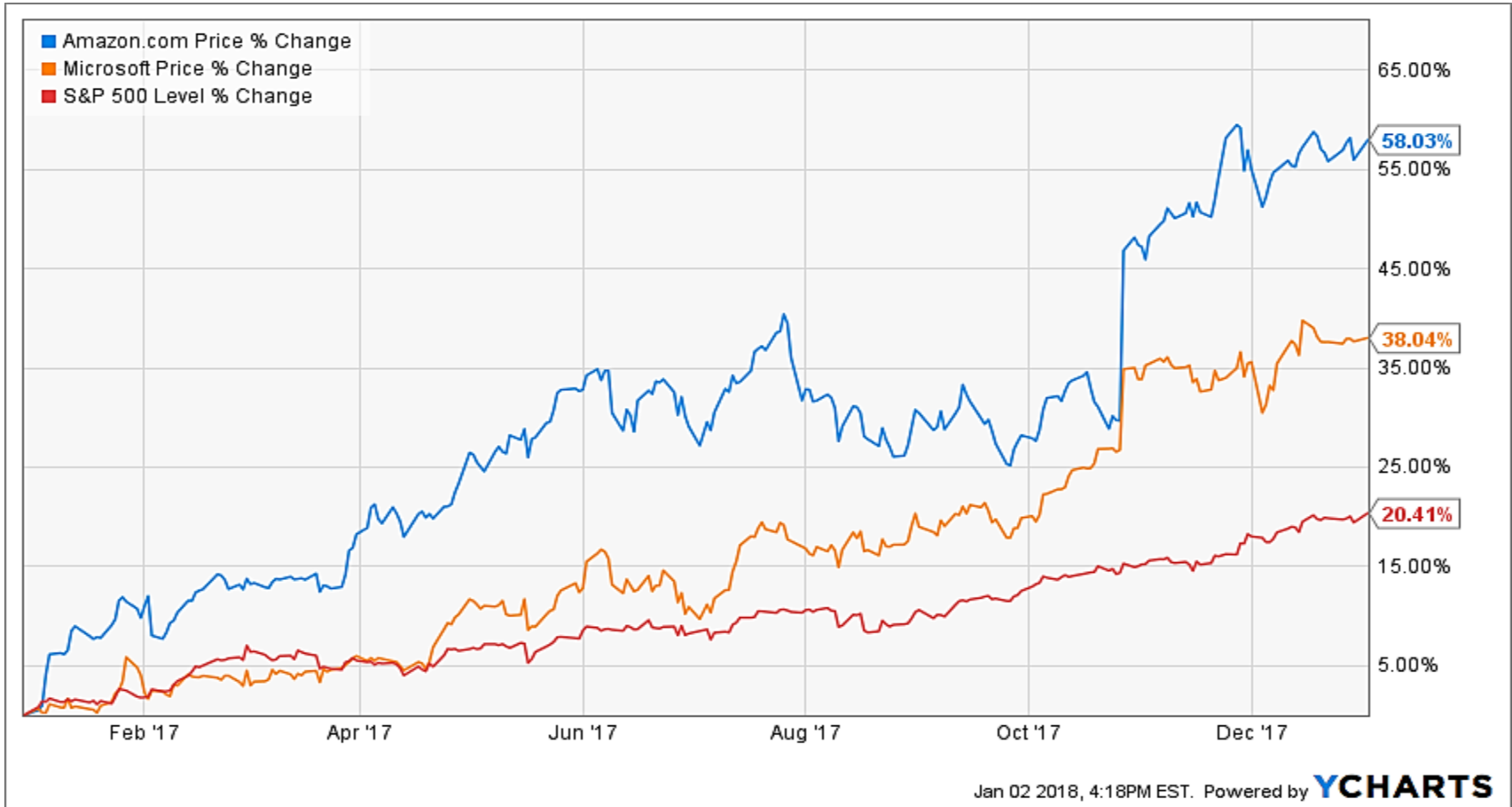
Microsoft

versus

Companies They Support?

Invest in Prime Disruptors or Benefactors?

Microsoft and Amazon vs. S&P 500



Past performance is not indicative of future results.

Invest in Prime Disruptors or Benefactors?



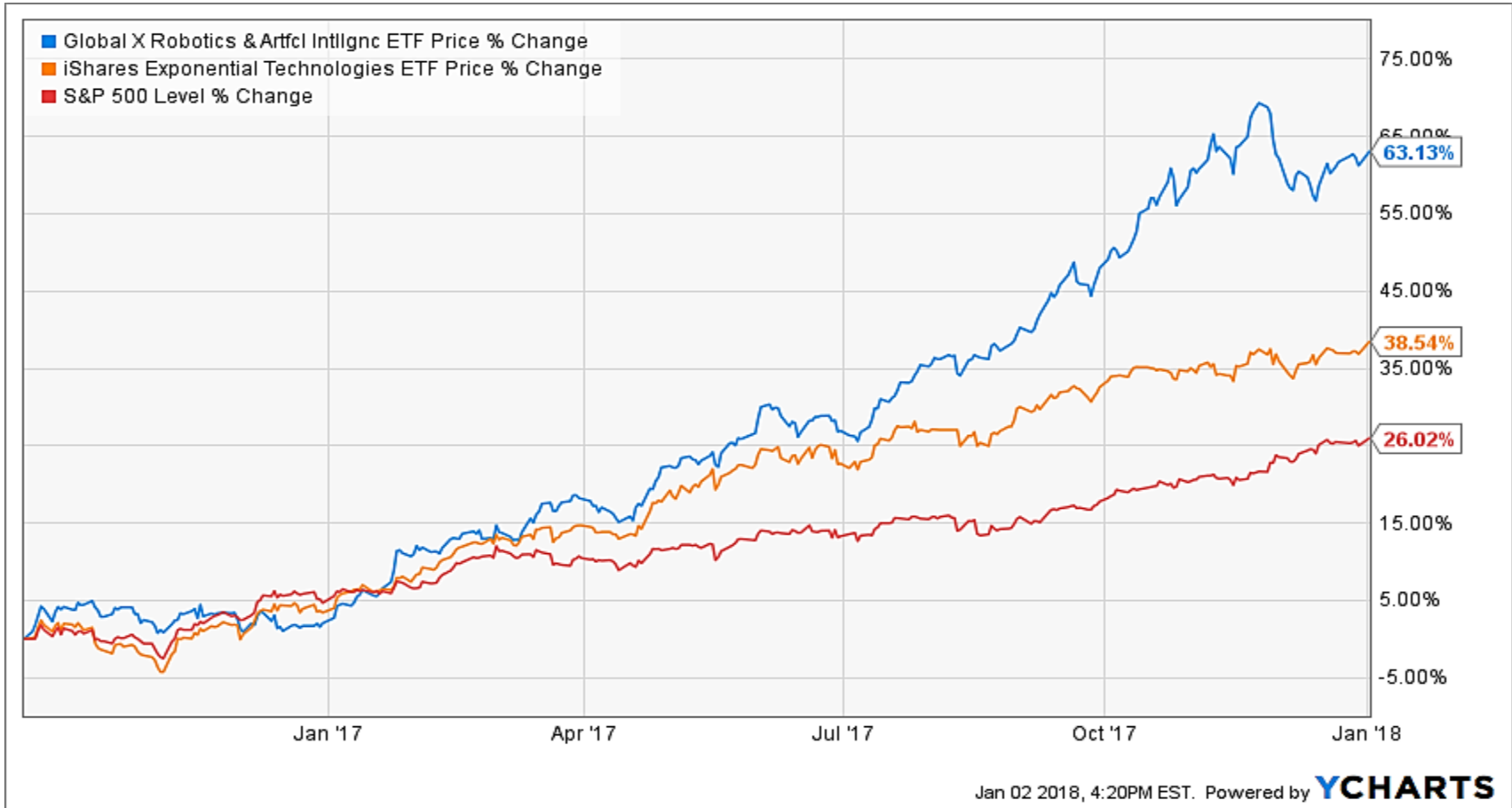
or XT

versus

Companies They Support?

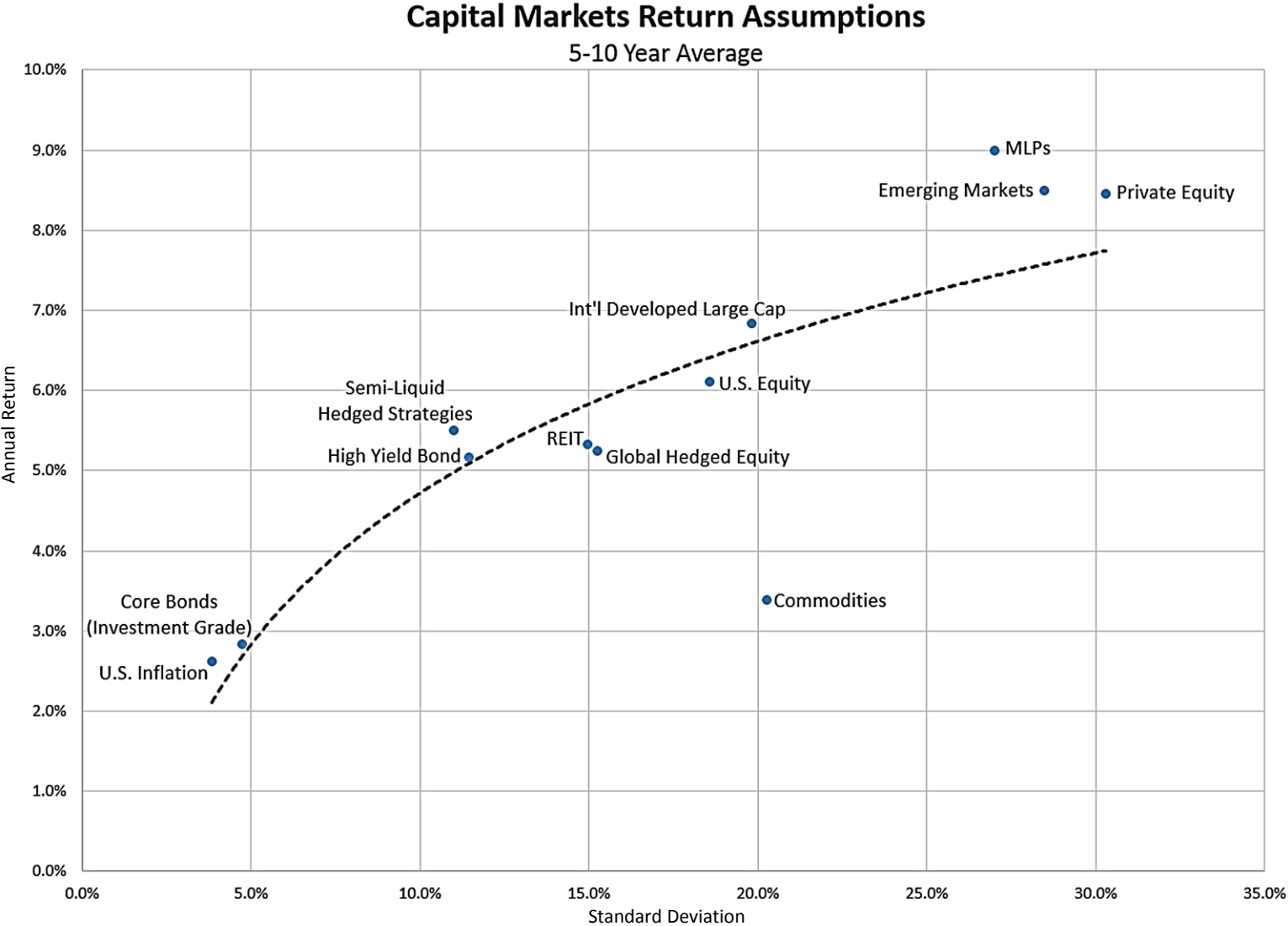
Invest in Prime Disruptors or Benefactors?

BOTZ and XT vs. S&P 500



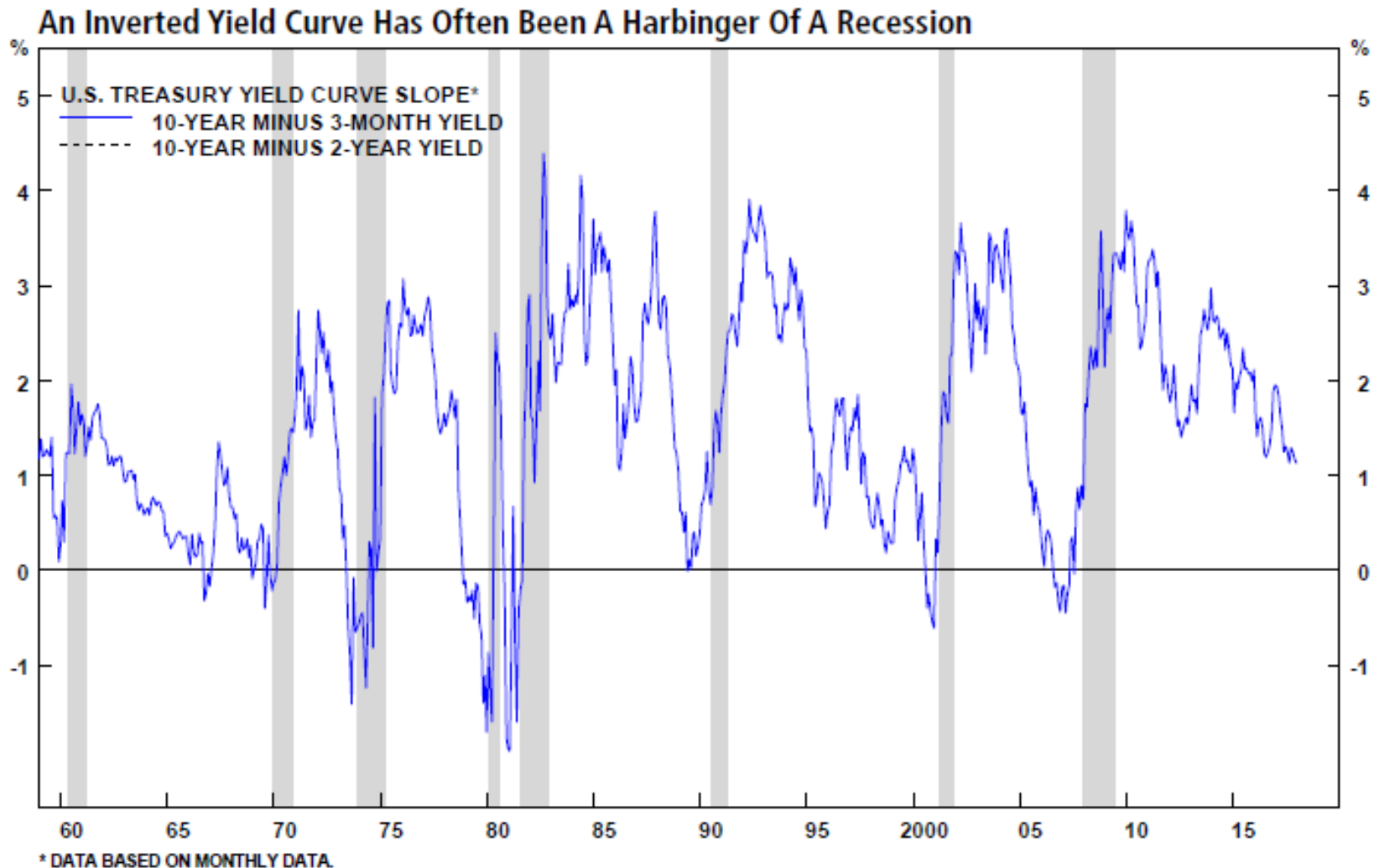
Past performance is not indicative of future results.

SFG Forward Return vs. Risk Chart



Past performance is not indicative of future results.

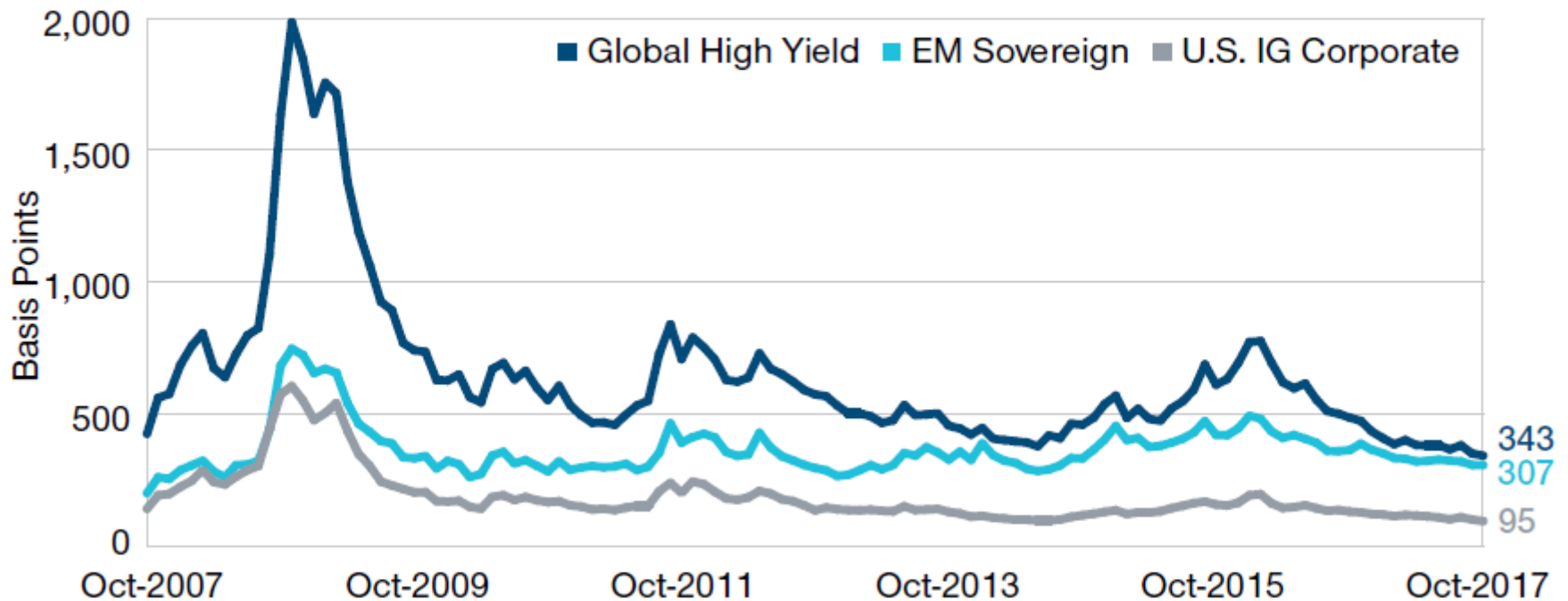
Flattening Yield Curve A Concern?



Source: BCA Research – Global Investment Strategy: *Don't Fear A Flatter Yield Curve*, 12/22/2017

Tightest Fixed Income Spreads Since Global Financial Crisis

Option-Adjusted Spreads Over U.S. Treasuries, Through October 31, 2017

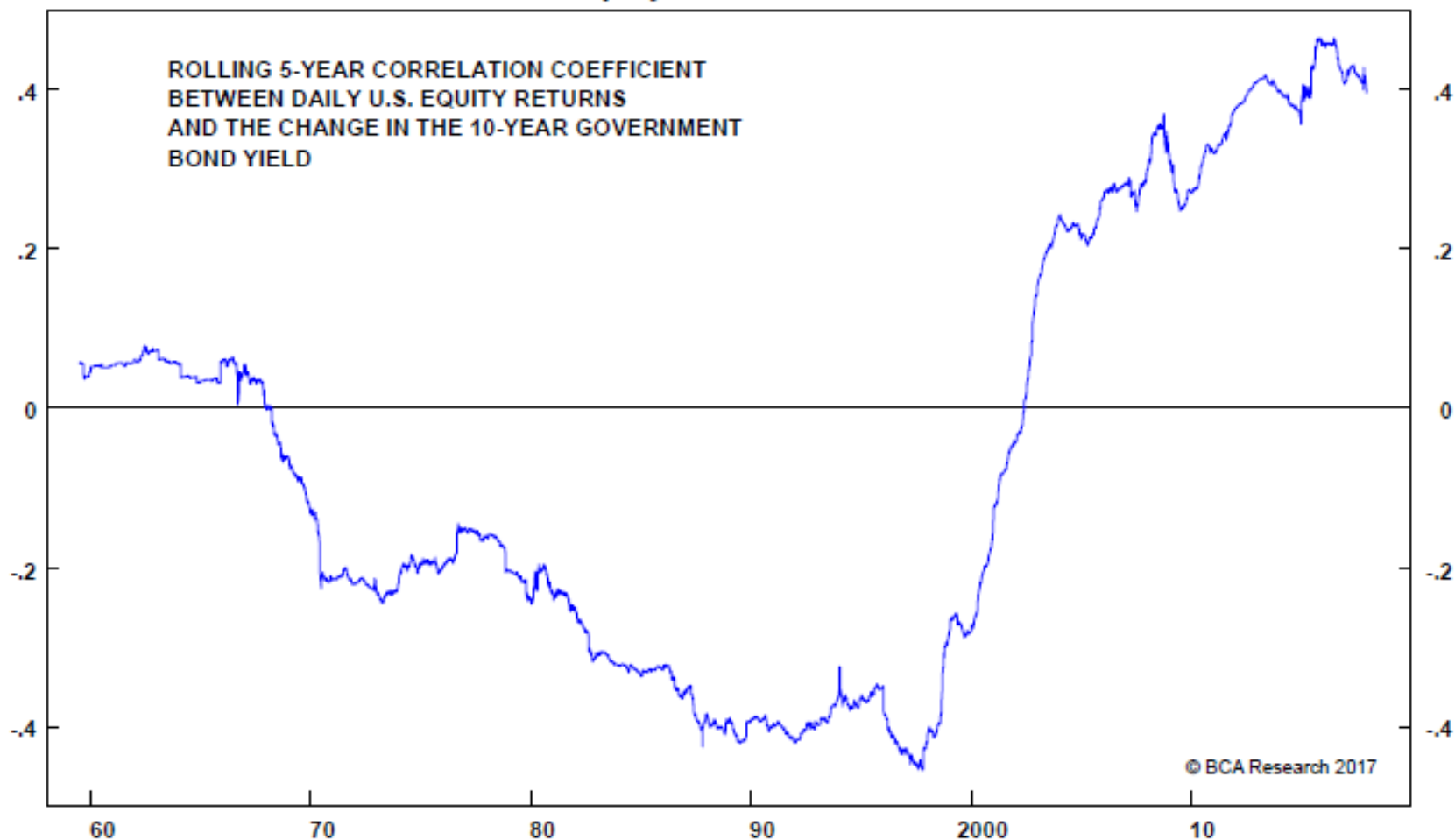


Source: Sources: Bloomberg Barclays, BofA Merrill Lynch, and JP Morgan.

U.S. IG Corporate = the Bloomberg Barclays U.S. Investment Grade Index; Global High Yield = the BofA Merrill Lynch Global High Yield Index; EM IG Sovereign = the JP Morgan Emerging Markets Bond Index (EMBI) Global Investment Grade.

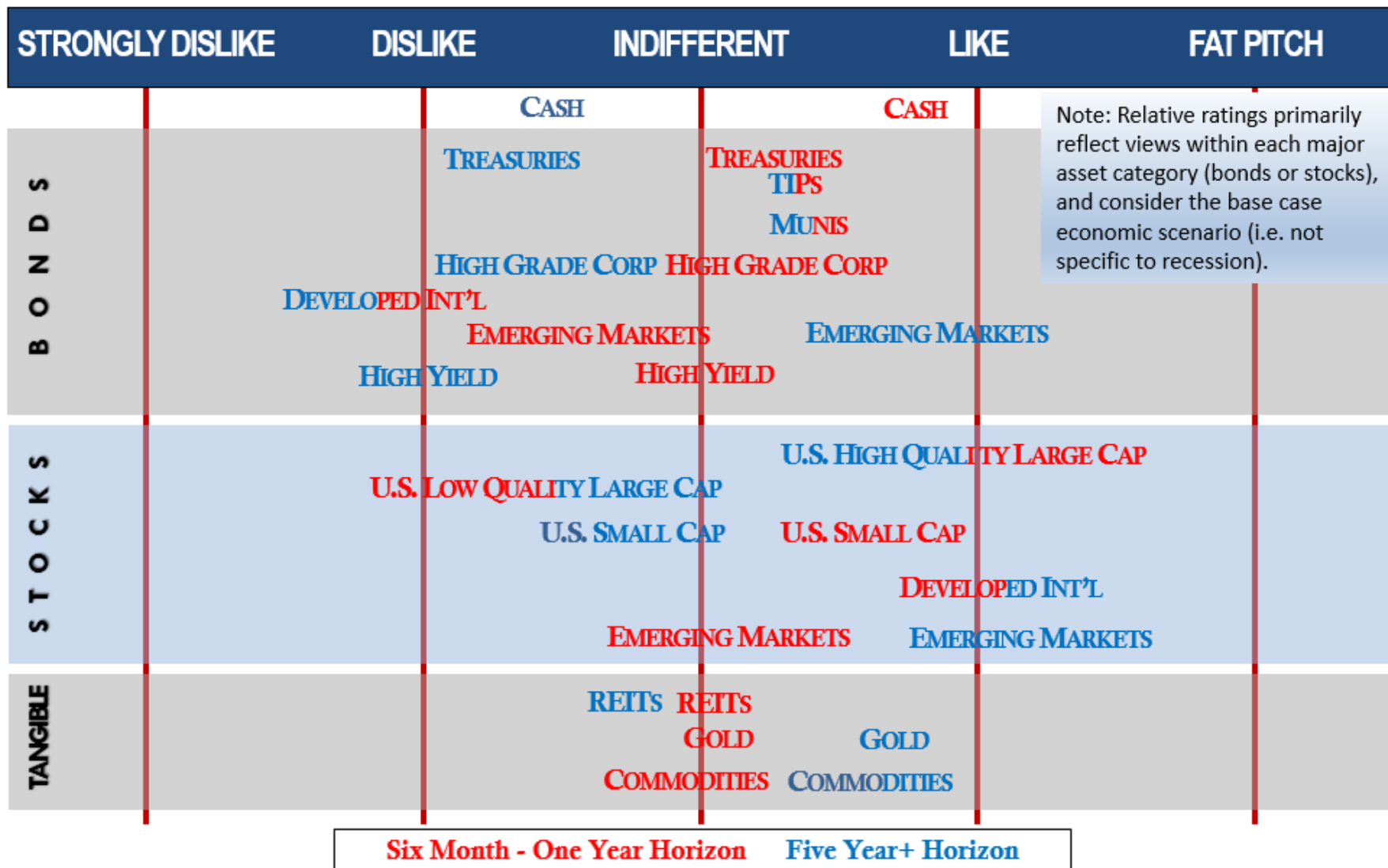
Bonds Tend to Provide Portfolio Ballast

Bond Prices Now Tend To Rise When Equity Prices Go Down



Source: BCA Research – Global Investment Strategy: *Don't Fear A Flatter Yield Curve*, 12/22/2017
Past performance is not indicative of future results.

SFG Asset Class Ranking



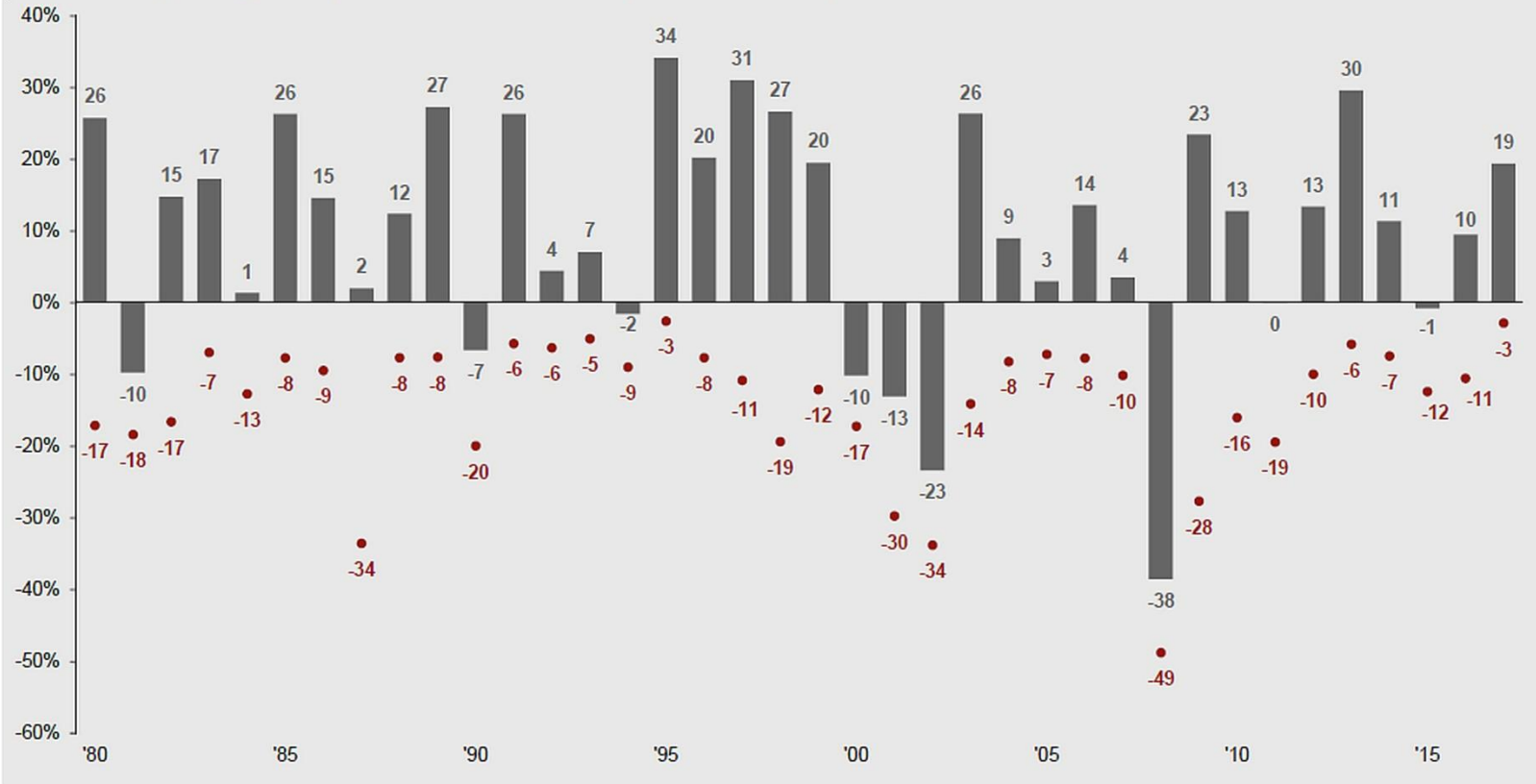
Source: Stearns Financial Group, January 2018

SFG's asset allocation ranking is continuously reevaluated by the Investment Committee and is dynamic in nature, based on financial market trends.

JPMorgan Volatility

S&P 500 intra-year declines vs. calendar year returns

Despite average intra-year drops of 13.8%, annual returns positive in 29 of 38 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2017, over which time period the average annual return was 8.8%.

Guide to the Markets – U.S. Data are as of December 31, 2017.

Summary

1. Many scenarios suggest more muted U.S. stock returns going forward.
 - Combination of corporate tax reform, low interest rates and the Deployment phase of the Super Trend revolution could surprise on the upside.
2. SFG expects that volatility is likely to return to “normal” – expect at least one cumulative 2,000-3,000 point Dow drop in 2018.
3. Be more “active” – global diversification, actively managed mutual funds, rebalancing and fat pitches.
4. Adjust your allocation to your “sleep well” level – there are many possible wild cards that will create anxiety!

Questions?



STEARNS
FINANCIAL GROUP

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Andy Clark, CFP®

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Glenn Joyce, CFA, CFP®

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