COPPERWYND FINANCIAL

JUNE 2018

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"The theme we preach here at Copperwynd is trying to take the emotion out of investing. It's a long term financial plan. We manage the real risk and try and keep you on the path."

Market Commentary

Hola! Que tal? I was fortunate enough to spend a vacation recently in Spain. My wife and I had never been and now that we have returned, we can't wait to go back! My oldest son Chase, who you may remember is in the Navy and has been stationed in Sicily for almost three years now, was able to join us in Barcelona for the last leg of the trip, so that made it that much more special. Traveling is somewhat of a common theme here at Copperwynd. All of us here love to travel and try to do it as often as work permits. At the same time, a large majority of our clients travel as well, so it's always great to compare notes and trade ideas on where to go next. For me, part of the fascination of traveling outside of the US has to do with trying something new, trying to understand not only what makes us different but what makes us not-so-different. The other aspect that I like about traveling is being able to see the United States from the outside. It's always so interesting talking with the locals and reading the news about how they view the US and how the US is and should be interacting with the rest of the world from their point of view. I always learn to see things in a different light. Truly fascinating as I find it keeps me in check so to speak. (At the end of the newsletter, I have included my favorite picture from the trip.)

As I returned to normal life back in the states, and to Arizona, I was reminded that the dog days of summer are almost upon us. The temperature was "only 108" the day I got back. Soon it will be hot. The old adage of Sell in May and Go Away hasn't seemed to play out all that well this year. The data on that is a bit thin in my opinion, and even so, our models don't factor in adages into the formula. The one thing that was still consistent was the conversation not about stock market volatility, but of *Stock Market Volatility!* What's the difference you ask? Stock market volatility is a statistical measure of the dispersion of returns for a given security or market index. *Stock Market Volatility!* is a mental ailment caused by words and injected into your mind by humans. Stock market volatility is a real thing and presents real risk that needs to be managed and accounted for within your investment portfolio. But *Stock Market Volatility!* and *Trade Wars!* and *Inflation!* infect our brains about the risky parts of investing. Our social lives aren't governed by the actual risks of real life things. They are governed by the memes (as the kids today would say).

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When I travel I try to unplug. Not read e-mail from work, not read or listen to the regular news that I normally do on a day to day basis. Upon returning from vacation, the other thing that I noticed is not only do the stories of Trade Wars! still exist, but that the general population is starting to becoming numb to these memes. One tweet about a topic you find offensive is, well, offensive. 50 tweets into the same topic, we all start to ignore them. If you're a Netflix fan like me, one of the shows I found absolutely fascinating back in 2013 was House of Cards. It was insight into a truly ruthless, revenge seeking, greedy, corrupt insider look at a government that of course had to be fiction. But after the most recent presidential election and more insight into our own government, the show wasn't all that far from the truth, which was shocking, and make it a little less appealing. Again, a little numbness set in. The show failed for other reasons that aren't worth going into here, but I can't imagine where the storyline would be now given what we have seen in our own real politics on both sides of the isle through all layers of government. Truth is stranger than fiction if I've ever seen it.

The theme we preach here at Copperwynd is trying to take the emotion out of investing. It's a long term financial plan. We manage the real risk and try and keep you on the path. We keep at bay the Stock Market Volatility! and manage the stock market volatility. We keep diligent about the risks that have presented themselves and ward off the numbness that sets in when we hear the same things over and over again. The Federal Reserve will continue to raise interest rates. At some point there will be inflation, if not already here. There will be international issues, if not from Italy, or Brexit, or trade wars with China, and others. We don't have a crystal ball so we can't tell you how many times the Fed will raise rates, or what inflation will be, or what the impact of tariffs will have on our GDP. What we can tell you is that we manage our models daily and we remain fully invested across our models. We have moved into more floating rate instruments in our Total Return model, and a small part of our stock model is in T-bills, so fully invested, but we have reduced the risk.

We hope you have started to enjoy your summer. If you are traveling, make it safe and send us a postcard! I tried to mail my colleagues (and grandkids) a postcard but used the wrong stamp and put it in the wrong mailbox, so I was home for 2 weeks before they even showed up! Learn from my mistakes!

Hasta luego!
- Erick

Special Announcement!

We are making it easier to access your Copperwynd Financial accounts! The Copperwynd Mobile App is now available in both the iOS and Android App Store. Search for Copperwynd and download today, and use your Client Portal log in information to gain access.

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Portfolio Spotlight: Momentum

"Momentum is the premier anomaly within Modern Portfolio Theory"
~ *William Sharpe, Nobel Prize Winner*

When markets struggle to find direction, as they have this year, individual stocks can often be a way to gain outperformance with the right selection. And so it is that we have seen our Momentum portfolio truly shine this year, rotating into those small pockets of the market that have had no problem with interest rates, political dis-function, or talks of trade wars! The Momentum strategy is a portfolio of 5 stocks, chosen based on our proprietary formula that evaluates the pricing momentum along with a stock's "trendi-ness" on a weekly basis. This month marks the 6-year anniversary of the 5-stock Momentum strategy, and what a nice six years it has been. Because this is the most aggressive of our investment portfolios, we typically keep this allocation to no more than a 15% weight in a blended portfolio, but if your portfolio blend included Momentum, you may find that this portion of your portfolio is now overweight and we will be addressing this with you in our meetings and conversations this summer. If you do not have Momentum as a part of your blend, we will be discussing whether it is appropriate for your risk tolerance and investment objectives as including this super-star has provided some powerful results, even in markets like this one!

College Planning Tip of the Month

The journey to college doesn't begin during your senior year of high school. In order to get into the University or school you are most hoping for, successful applicants must delve into their preparation early on. There is a fine balance between smart preparation and homework overload. Here are some tips for intelligently using your summers to pave your path to get into your dream school. For most people, their high school years are the most important time for gaining the credentials that they'll need for their college application. Use the summers before high school and in between grades to experiment with different activities, such as sports, arts, family travel, coding camps, or volunteering opportunities. Summers are perfect for trying on new things and then deciding whether to continue them or move on to other activities. Use the summer months to learn about different schools and what they offer. Learning about a school is almost like a research project. Thanks to technology, this doesn't necessarily mean that you have to visit the school. There is a myriad of information on the school's website, from basic admission statistics to profiles of current students. Find out if truly the school you are considering is the best fit. Summers give you time and flexibility to prepare yourself even more for your college years. Make the most of them!

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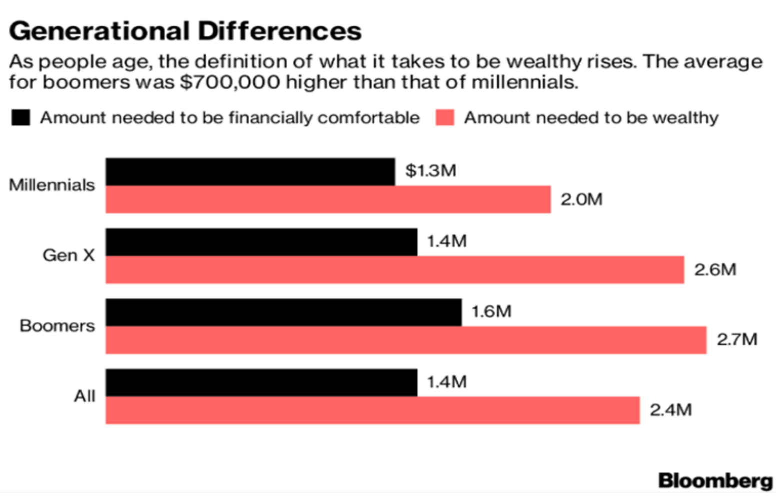
Financial Planning Tip of the Month

The typical investor tends to focus on how much money she or he can make in the market instead of thinking about risk, “reaching for yield” without considering how much additional risk they are accepting. Because of this tendency, market risk is something to be mindful of as you plan for retirement and think about how to build your portfolio. Another thing to keep in mind is that the markets and our needs are always changing. No bull or bear market lasts forever. Our risk tolerance continues to change, and we should modify our portfolios accordingly. It’s a good idea to re-evaluate your risk tolerance and how much you want on each side at least once a year as the market and your own needs continue to change. A trusted adviser can help you find your comfort zone when it comes to market risk and help you plan accordingly. Too many individuals consistently ignore risk, but managing risk is an important and ongoing decision to a successful financial plan. Please contact us today if you have any questions about your risk level and how you are invested!

Graphic of the Month

Many Americans cite leading a stress-free life and having “peace of mind” as their personal definition of wealth. That doesn’t sound too money-centric on the face of it—until you consider that money, or specifically the lack of it, is a major source of stress. Americans don’t like to admit that assets can buy happiness—just 11 percent of those surveyed for the second annual Modern Wealth Index from Charles Schwab chose “having lots of money” as their definition of wealth. But while most respondents selected more high-minded concepts as their keys to contentment, they weren’t afraid to put a number on what they needed to get there. To be financially comfortable in America today requires an average of $1.4 million, up from $1.2 million a year ago, according to the survey. The net worth needed to be “wealthy”? That’s an average $2.4 million, the same as last year in the online survey of 1,000 Americans between age 21 and 75.



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Your 401k Allocation

This month finds us rotating back into some of the stocks – namely, adding to our small cap and now midcap – at the expense of a small bit of bonds and international stocks. The stronger dollar has simply beaten up all dollar-sensitive investments, including commodities and international stocks. With the questionable outcome of the G7 summit, now the meeting with North Korea, and further some signs that growth is slowing in Germany (long the economic work horse for the EU) we need to step aside. The meeting this week with our Federal Reserve will put further pressure on bonds as well as international stocks (a higher interest rate here should further strengthen the dollar) and we are back to just US stocks … for now!

Last year both developed and emerging market stocks saw their best years since the financial crisis … due in large part to a declining dollar. And yet last year we also had rising interest rates, which should have had the opposite effect. We believe that confidence, or lack thereof, by the international community contributed to a weaker dollar in 2017, helping the international stocks. So .. will Erick's observation that 50 tweets is just noise that gets ignored prove true here, too? Will the dollar continue the rally in spite of international tensions? I guess we'll have to watch this space and stay tuned!

June 2018					
		Agg. Growth	Growth	Moderate	Conservative
Bonds / Cash		15%	27%	50%	70%
	Stable Asset - OR - Short Term Bond	15%	27%	50%	70%
	Total Return	0%	0%	0%	0%
	World Bond	0%	0%	0%	0%
	Inflation Protected Bond	0%	0%	0%	0%
Large Cap:		40%	38%	23%	15%
	Large Cap Growth	30%	28%	17%	10%
	Large Cap Value	10%	10%	6%	5%
Mid Cap:		25%	20%	15%	10%
	Mid Cap Growth	15%	15%	10%	5%
	Mid Cap Value	10%	5%	5%	5%
Small Cap:		20%	15%	12%	5%
	Small Cap Growth	15%	15%	8%	5%
	Small Cap Value	5%	0%	4%	0%
International:		0%	0%	0%	0%
	Developed International	0%	0%	0%	0%
	Emerging Markets	0%	0%	0%	0%

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New and Noteworthy

The inside of the Sagrada Familia church in Barcelona, Spain. No filters.

Momentum Strategy

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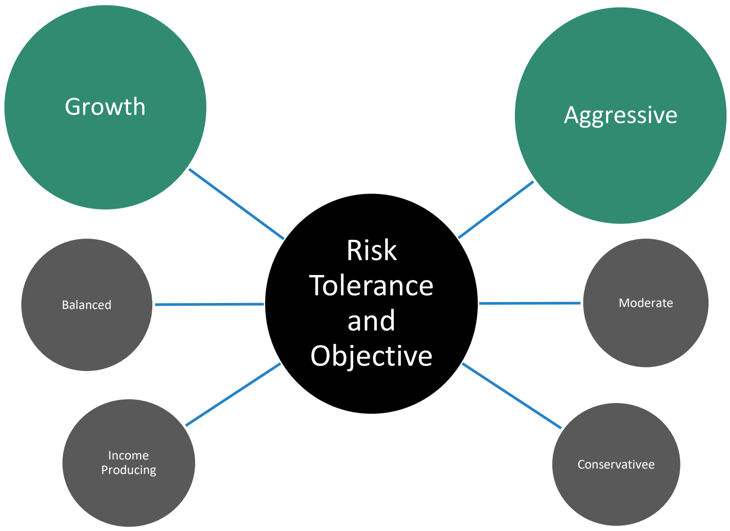


The Momentum Strategy is an aggressive growth model designed to add significant Alpha to a portfolio.

'It's crazy to put money in your twentieth choice rather than your first choice. . . .

Charlie [Munger] and I operated mostly with five positions."

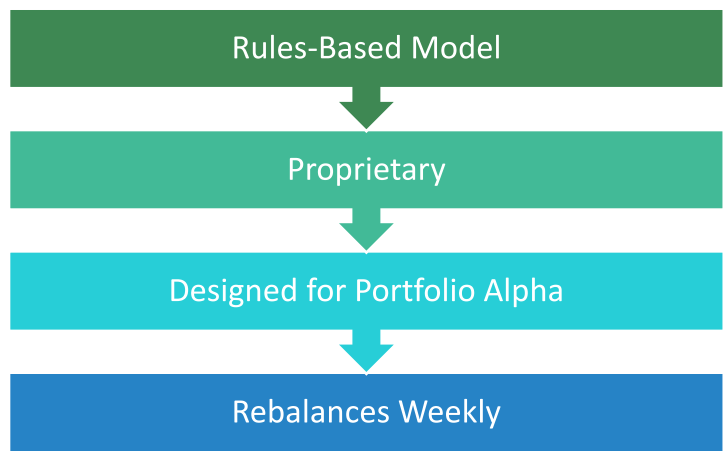
Warren Buffett, 2008

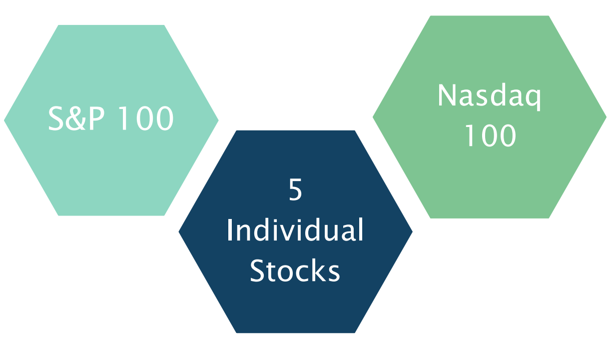
Key Features

The Momentum Strategy's underlying primary concept is that momentum must be paired with a measure of a stock's "trendiness" and buying pressure to find explosive and sustainable winners.

"Momentum is the premier anomaly within Modern Portfolio Theory."

-William Sharpe, Nobel Prize Winner





Investment Universe

The investment universe consists of 200 individual stocks. Utilizing a rules-based model that focus on momentum and trendiness the stocks are then ranked, with the top 5 being selected for the portfolio. The strategy is rebalanced weekly.

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