



PORTSIDE

INVESTMENT ADVISORS

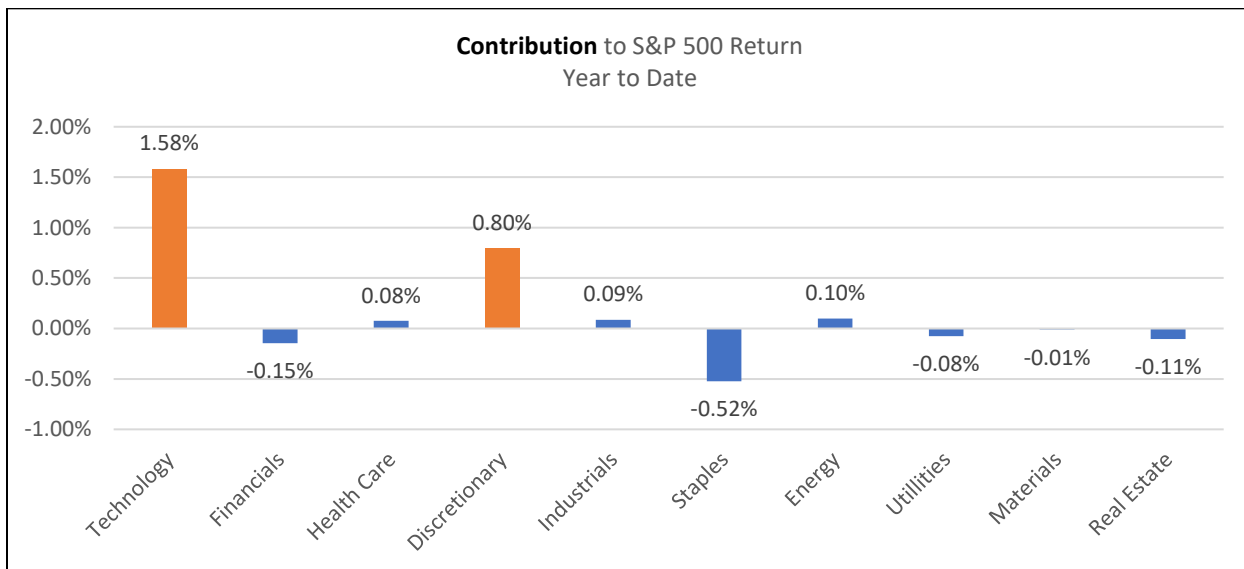
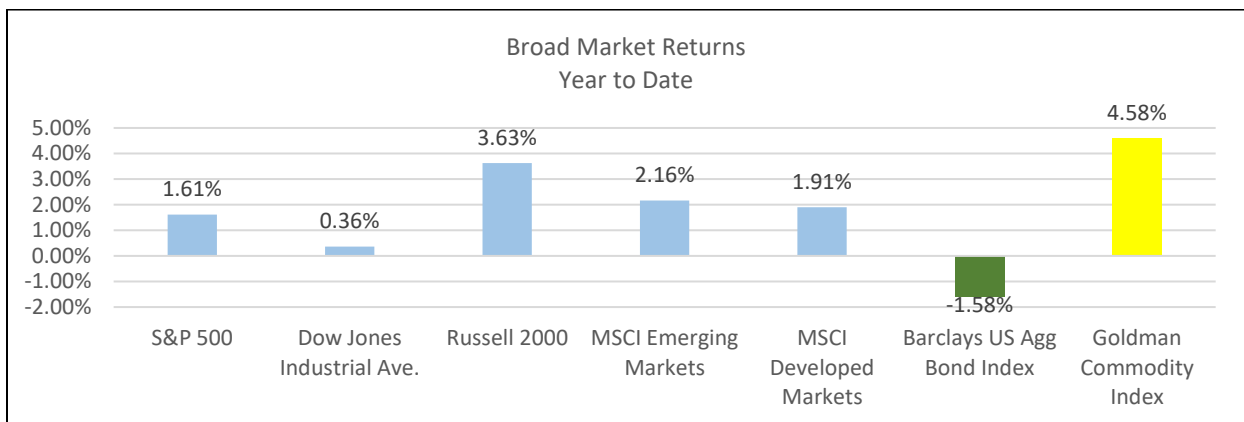
Depiction

A summary of graphical and quantitative information that is part of the research at Portside Investment Advisors

April 19, 2018

Market Overview

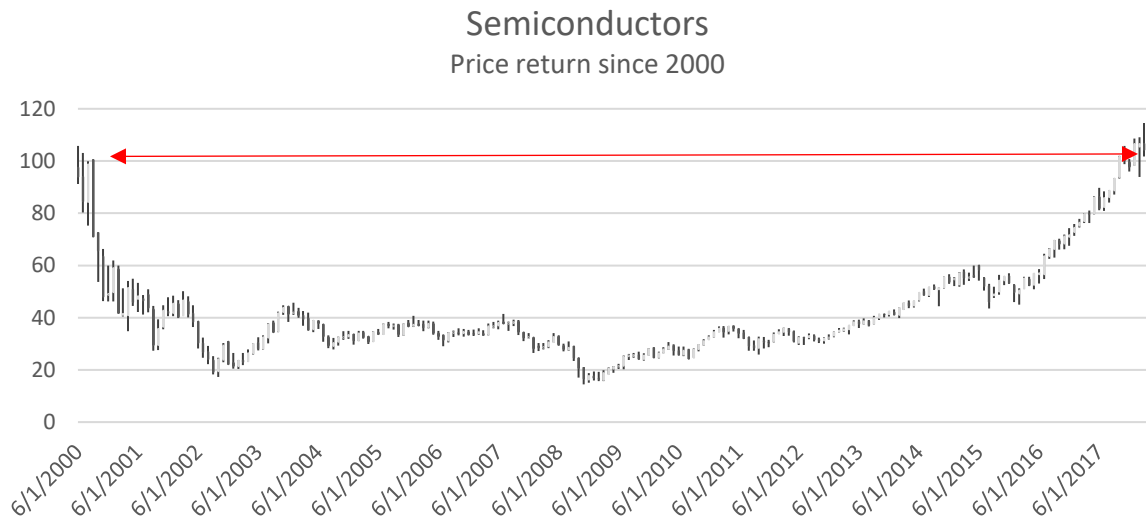
The equity market so far in 2018 has been a low return proposition except for a few limited segments, namely the technology and “new” discretionary names like Amazon and Netflix. Bond returns have been negative due the rise in interest rates early in the year. In an added sign of potential inflation, commodities have risen this year.



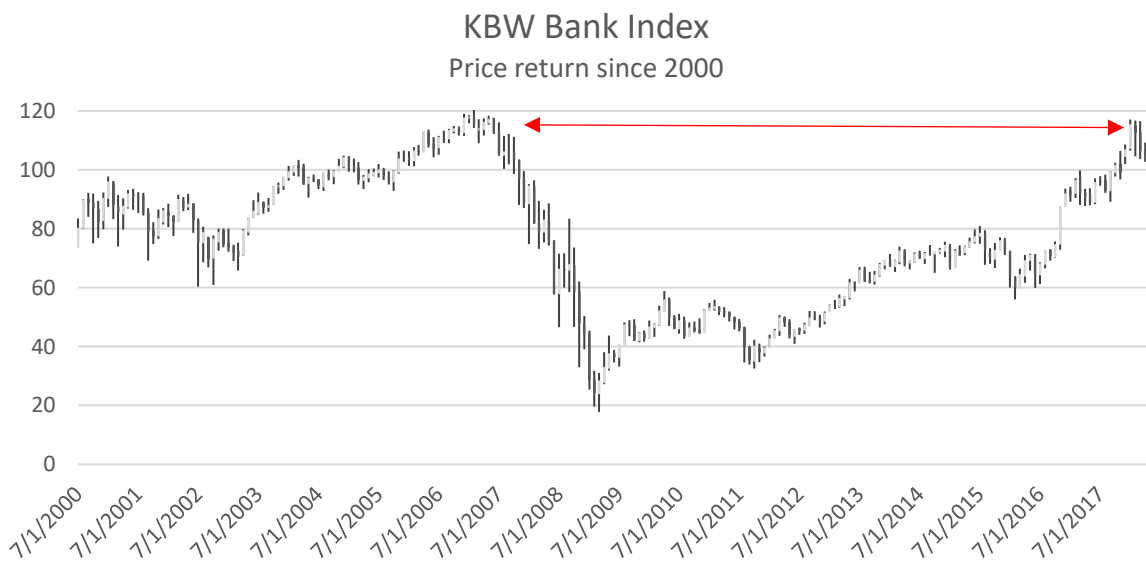
The Long View

While equities have been consistently generating positive returns in recent years, it is important to look at the long term perspective. The entry point is the most critical component of expected returns. Two industries that defined the momentum of the last couple years were banks and semiconductors. Depending on your entry point, you have either earned a lot or almost nothing. Being patient to wait for attractive entry is critical.

Example #1: Smile if you bought it at the right time. If bought semiconductors just two years ago, you've earned 100%, but if you bought eighteen years ago you only earned a paltry dividend.



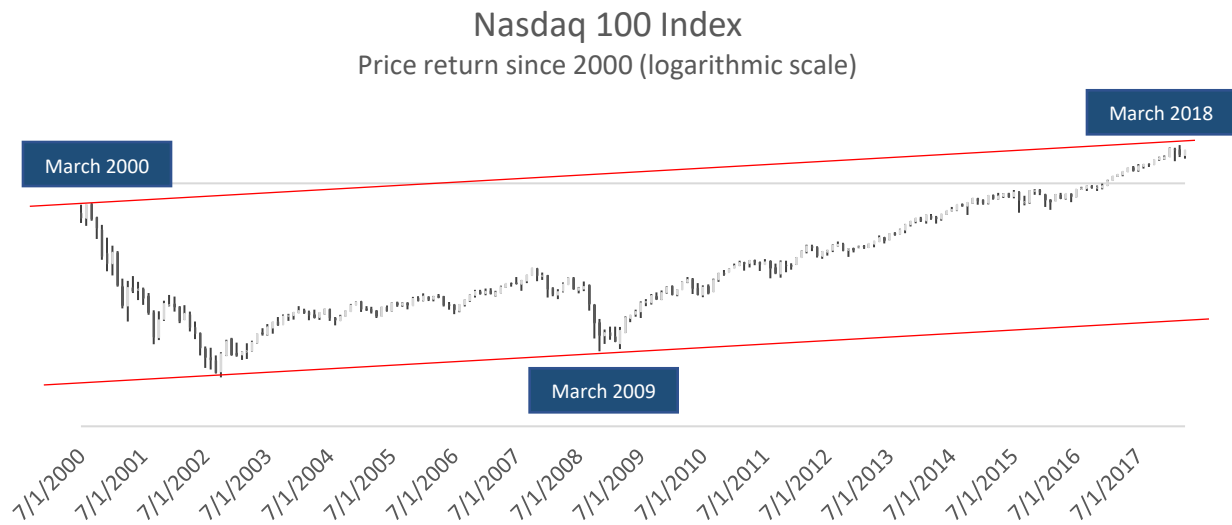
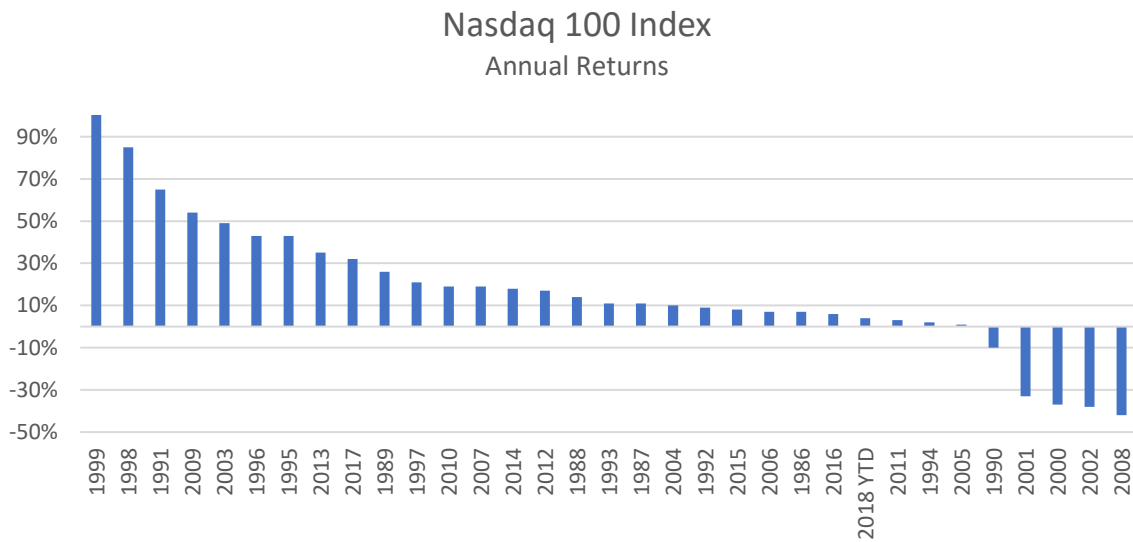
Example #2: Financials since the financial crisis. Quite impressively, the banks have also returned about 100% in just the last couple years. But, have returned almost nothing if you purchased them in 2007.



Technology Dominance (but boom and bust)

Over the last few decades, no economic sector has come even close to technology for generating the consistent positive (and large) returns year after year. However, the sector has had a tendency to overshoot, making the down years – although few and far between – very painful.

The Nasdaq 100 index has been around for over thirty years. In the 33 years of data, it has only been negative five times. This is an incredible statistic considering it contains many of the largest companies in the world. Interesting, though, is that the five negative years averaged -32%. This is a statistic worth keep in mind given the index is at the top end of the historical range.



Source: All research compiled by Portside Investment Advisors, LLC

Takeaway

Market leadership has become very narrow after historical performance of the last few years. Further broad market performance will likely require more breadth in economic sectors or a breakthrough leg up from the existing leaders. Portfolio positioning will be critical regardless of the outcome, as the correlation between asset classes and within the equity market sectors is lower than in recent years.