



# tempus tidings

1ST QUARTER 2019

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*I* hope you had a wonderful holiday season! As we enter our third year of independence, I would like to offer my most sincere thank you for the continued trust and confidence you place in Tempus Advisory Group.

*I am excited to announce that our website and social media platform makeovers are nearing completion. I will be sending out an email notification when the site is live. I hope you will take a moment to check it out!*

*Tempus University will cover concepts in active asset management. Given December's market volatility, I think it is an important topic to revisit. I hope you enjoy this edition of Tempus Tidings and as always, please contact us at any time with questions or concerns!*

*Looking forward to a great 2019,*

*Brittany*



# PRACTICE UPDATES

## 2018 Year-End Tax Reporting

To ensure a streamlined tax preparation process it is important to hold off scheduling with your accountant/CPA until late February or early March. In fact, I recommend delaying until the first or second week of March to allow enough time to receive your 2018 tax documents. Doing so may help avoid filing amended returns should tax documents be delayed or reissued. As a reminder:

Who Is Reporting?	What Will Be Reported?	When Will It Be Reported/Mailed?
Mid Atlantic	All Tax Documents	February 15, 2019
National Financial Services	1099 Consolidated Tax Statement (1009-DIV, 1099-B, 1099-INT, 1099-MISC, Supplemental Statements)	February 15, 2019
National Financial Services	1099-R on annuities and IRAs	January 20, 2019

## Tempus Website

Our new and improved website is nearly complete, and we cannot wait to show you! Although the address will not change: [www.tempusadvisory.com](http://www.tempusadvisory.com), the overall design and layout have been revamped to provide a more user-friendly experience. We have completely redesigned the resources page so you can quickly and easily find all things Tempus. We are looking forward to launch soon and will send a notification to you via email and ask that you take a look and let us know what you think! As always, we appreciate your thoughts and feedback.

## Tempus Progress Tracker

As we endeavor to enhance the services and solutions we provide, we will be rolling out a new financial planning tool for 2019 called the Tempus Progress Tracker. This is a proprietary tool we developed which is an interactive data worksheet used to identify your financial goals and provide ongoing goal progress tracking and accountability. The tracker will be an important centerpiece of our strategic seasonal planning process moving forward.

## Referral Incentive Program

Given the nature of our highly regulated industry, referral incentives are heavily scrutinized by the Securities Exchange Commission (SEC), our regulatory body. As such, the program as originally designed was a little too progressive and is undergoing modification currently. Although the program will not have every feature as originally designed, we are working on maintaining as many elements as possible. In the meantime, we hope to convey how much we appreciate helping your friends, family, and co-workers and encourage you to continue referring Tempus Advisory Group whenever you think appropriate to do so!

# MARKET UPDATE

As of 12-31-2018, the S&P 500 Index returned -4.38%, the US Aggregate Bond Index returned 0.1%, and the MSCI EAFE (global index) returned -13.79% for the year. Meanwhile, the VIX (volatility index) rose steadily over the quarter ending the year at 25.42. As expected, the Fed completed a final quarter-point rate hike on December 19th. Despite stable and healthy economic data, continued uncertainty around interest rates and US-China tariffs dominated market sentiment, resulting in the S&P 500 Index returning a dismal -13.54% for the quarter. Here is a brief recap of what has been going on over the last month or so and what we expect in the month ahead.

### What's happening now:

**Market volatility:** The final month of the quarter was the worst December since 2008 for the market, which we attribute to the persistent uncertainty around the Federal Reserve's rate-hike path and the impact of US-China tariffs. Uncertainty leads to fear and fear leads to emotional selling. As of now, the data is still healthy in areas that matter over the long term: the economy and corporate earnings.

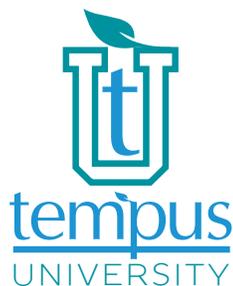
**US / China Trade "War":** In early December, Presidents Xi Jinping and Donald Trump agreed to a 90-day "ceasefire" to provide time for further talks between the countries. As Chinese officials agreed to buy additional US products, Trump agreed to postpone a January increase in tariffs on \$200 billion in Chinese imports. If no compromise comes to fruition, the US will enact a 15% tariff increase. We believe any resolution will be a positive for equity markets. We will continue to monitor the progress and developments as the 90-day deadline approaches.

**Yield Curve Inversion:** On December 3rd, the 2-year and 5-year treasury yields inverted, resulting in a higher yield on shorter term bonds. This type of inversion or "kink" in the yield curve has not been a historically reliable indicator of a recession. In our view, this is a relatively minor event and we remain focused on the longer end of the curve where full inversions have traditionally predicted a recession in the US within two years. Despite some flattening, we continue to see a normal long-term curve.

**Asset Allocation:** Throughout December, the market data we track, specifically mid and longer-term implied volatility, were impacted to the extent that as of December 24th, all Managed Risk strategies were moved to a neutral equity positioning. To reiterate, we track both market and macro-economic data and these changes were a result of market volatility-based signals. Given economic data is healthy and stable, we believe this positioning is temporary and expect to increase equity exposure over the next month. As we move forward into 2019, you will likely notice additional activity as we replace current holdings, the result of our ongoing recommended holding analysis and due diligence. For example, effective December 24th, the international stock holdings were changed: tickers QEFA and JPIN were replaced by ticker RODM.

### The bottom line:

The focus of the markets will shift away from the Fed to the ongoing showdown over the border wall and trade conflicts. Overall, we believe the market sell-off to be overblown and for stocks to start recovering over the next month - but not without periodic days of downside volatility due to headlines. We continue to closely monitor macro-economic and market volatility data to identify any potential signs of weakness or concern. Despite elevated implied volatility, we see no economic data that supports a recession is likely in the next 6 to 12 months.



## Active Asset Management: 101

Given the market volatility over the course of 2018, specifically in the months of February and December, active asset management is an important concept to keep top of mind.

### What is Active Asset Management?

In our opinion, Active Asset Management is the process of capturing equity market growth and providing defensive measures during periods of sustained volatility, all while staying focused on the compound annual growth rate. Managing volatility, or the risk of loss, can provide benefits over time due to the compounding of wealth.

#### What are the steps to our Active Asset Management process?

- Establish diversification based on your unique risk tolerance, timeframe, and goals
- Develop an asset allocation ecosystem of suitable investment strategies
- Utilize algorithms designed to approach risk in various ways
- Provide ongoing management and timely implementation
- Implement ongoing underlying holding due diligence
- Capture any tax harvesting when available

#### What is an Asset Allocation Ecosystem?

A unique allocation of investment strategies focused on compound annual growth that are mathematically diversified. In other words, each strategy approaches managing volatility in different ways with the common goal of compound annual growth.

#### Understanding Algorithms

In the simplest of terms, an algorithm is a set of rules to solve a problem. As it relates to active asset management, our algorithms perform thousands of mathematical calculations based on implied volatility and macroeconomic data. The data is compiled daily and then run then calculated on a weekly or monthly basis. The resultant output is then translated into portfolio positioning, which is then implemented within each strategy of the ecosystem. Each strategy has its own set of triggers, which when measured at certain levels, results in the recommended strategy positioning.

#### Active Asset Management vs Traditional Buy and Hold

A diversified buy-hold-rebalance strategy worked for decades because bonds paid a high level of interest and increased in value as interest rates declined. Unfortunately, what got us here won't keep us here because buy and hold strategies see risk as a one-sided problem of focusing solely on downside risk. This may no longer be enough. Thus, active asset management exists to meet the challenges of tomorrow through the use of algorithms to capture upside growth and mitigate downside risk. Active asset management has a distinct advantage in that it is both timely and efficient. When the data calculations indicate, our strategies are adjusted and client portfolio changes are implemented immediately.

Active asset management also includes ongoing due diligence or analysis of each holding recommended for each strategy. Tempus Advisory Group utilizes a proprietary methodology of analysis that incorporates nearly 100 data points related to risk-adjusted return, cost, and quality. This analysis also serves to provide alternative holdings when incorporating tax harvesting, a strategy used to realize taxable capital losses to offset taxable capital gains.

#### Active Asset Management Summary

It is important to keep in mind that no active strategy is perfect, and all will struggle at various points in time. Equity market corrections of 10% or more are both normal and healthy. As such, short term corrections will likely result in losses as our strategies are not designed or able to time the market. However, the goal is to manage risk in real-time, not guess when and where risk may occur, and to optimally position portfolios given market and economic conditions at any given time. Lastly, it is also very important to perform ongoing analysis on the strategy of underlying holdings within the portfolios to ensure holdings are both high in quality and cost efficient.



26 Nesbitt Road, Suite 255  
New Castle, PA 16105

## TASTES OF TEMPUS

Don't forget! If you have a recipe you would like to share, we would love to feature it here. Please email it to Amanda at [amanda@tempusadvisory.com](mailto:amanda@tempusadvisory.com).

### One Pot Pizza Rigatoni

Prep Time 5 Minutes | Cook Time 25 Minutes | Ready in 30 Minutes

#### Ingredients

16 oz ground Italian sausage  
1/2 cup pepperoni, divided  
1 jar mariana sauce  
3 cups of water  
16 oz box rigatoni pasta  
2 cups shredded mozzarella cheese  
Seasoning: salt and pepper to taste

#### Directions

- 1 In a large dutch oven pot, brown ground Italian sausage; drain excess fat.
- 2 Slice up about half of the pepperoni into strips and stir into Italian sausage. Cook for one minute or so.
- 3 Add the jar of marinara sauce. Season using salt and pepper to taste.
- 4 Add water and rigatoni, then bring it all to boil.
- 5 Once boiling, cover the pot and reduce the heat to a simmer until pasta is cooked through and tender, about 15 minutes.
- 6 Remove the pot from heat. Top with mozzarella and remaining pepperoni.
- 7 Place into oven to broil on high until the cheese is melted and golden brown.

## UPCOMING EVENTS

Check out our events for this year. If any are appealing to you, please be sure to let our office know so we can reserve your spot!

Description	Date	Time	Location
Elder Care/Asset Protection Educational Workshops	January 30, 2019 March 13, 2019 July 25, 2019	2PM & 6PM	The Crane Room
<p><i>We will be hosting joint workshops with one of our trusted colleague attorney groups, Sechler Law Firm. We will have two sessions on each day at 2:00 PM and 6:00 PM at the Crane Room. If you would like to attend please email Amanda at <a href="mailto:amanda@tempusadvisory.com">amanda@tempusadvisory.com</a>.</i></p>			
Tempus Client Appreciate Event	September 14th		Tempus Office

*We are currently planning our third bi-annual appreciation event! More details to follow, in the meantime, mark your calendars to save the date!*