



CIRCLES IN RED: LESSONS VERSUS MISTAKES

In a review of recent sell-offs, do you wonder where the money is en route to money markets, CDs, treasuries, traditional check and savings accounts? In February, investors extracted the most money from the U.S. stock market since the beginning of the recession. Unfortunately, the withdrawal rate from mutual funds and exchange-traded funds caused portfolio managers to sell securities prematurely to create a cash balance to the tune of \$41.3 billion, according to the Investment Company Institute. In the midst of the financial crisis, the most by a dollar amount that evaporated from the domestic market was \$42.8 billion in January 2008. The S&P 500 hadn't fallen below the correction level (10 percent or more) since two years ago. February shook many investors to the core. Headlines screamed "correction," "downturn," "volatility," and other words that fueled anxiety and increased fear in the hearts of the young and old.

VZD Capital Management took the opportunity to take profits from our equity holdings within portfolios and invest in alternative fixed income such as creditworthy preferred stocks. Rising bond yields, coupled with inflationary concerns, are making investors nervous, jittery and panic-driven. VZD, on the other hand, is of the mindset that volatility is a gift when used correctly. We screen and monitor positions using a "back to the basics" methodology that includes examinations of revenue growth, margins, cash flows, reinvestment opportunities, business risk, and management effectiveness. The "seasoned" approach to investing includes three key tenants: acceptance of a longer-term time horizon (a minimum of 3 to 5 years), dedication to staying the course, and having the patience to transform from a market spectator to a rational investor. We believe that sticking to a long-term value investment strategy is the path to success, even as market volatility continues to be a theme in 2018.

Although markets have been high, global politics and threats of tariffs from Washington have investors feeling a high level of uncertainty. There has been a significant amount of speculation about which direction the markets will be going. The cycle of ups and downs have always existed, and we are merely going through a corrective phase. Nothing is surprising or unusual about it. Just as one man's junk may be another man's treasure, the U.S. stock market currently has something for both bears and bulls. The pessimists believe stock prices are doomed to fall precipitously from current levels – while optimists say they are poised to rebound. The question of what's ahead for the stock market is ever-present because 2018 has been a year of surprises for even the savviest investor.

VZD Capital believes in the importance of a consistent, disciplined, unemotional process for buying and selling. Using time-tested strategies allows us to duplicate success and reduce the incidence of failure. We will continue to rebalance and schedule portfolio reviews to ensure your asset allocation is appropriate for you – regardless of the gyrations of the market. We stand available to answer any of your questions or concerns by email (ethel@vzdcap.com) or phone at (816) 726-7066.

Ethel J. Davis has recently become an Amazon best-selling author with ***Dear Fear: 20 Powerful Lessons on Living Your Best Life on the Other Side of Fear*** with a chapter titled – ***Dear Fear, You Can't Have My Journey***. Plus, she makes her debut as a solo author with ***Circles in Red: How To Turn Mistakes Into Successful Lessons***, a poignant and inspiring work about re-purposing hard life lessons into triumph and growth. Ethel includes guest excerpts from best-selling author **Sharai Robbins** and editor **Veronica Lee**.

As you know, we welcome all referrals and would appreciate the opportunity to serve your family and friends. Continued success and blessings – always!

With Gratitude,

Ethel J. Davis & Associates