



April 2018

1st Quarter 2018 Market Commentary

The Return of Volatility

After the least volatile year in S&P 500 history in 2017,ⁱ the first quarter of 2018 saw 23 trading days where the index saw moves of at least 1% in either direction. For reference, there were 8 trading days in all of 2017 with a 1% move. Historically, this is not uncommon, as the markets tend to shift from periods of high volatility to low volatility regularly.ⁱⁱ What's more important is keeping your long-term investment goals in focus during periods of uncertainty, and avoiding impulse decisions that could prove detrimental in the long run. Part of our roles as your advisors are to:

1. Address your concerns about market volatility
2. Review your target allocation versus your investment goals and objectives
3. Adapt to market conditions opportunistically

If you have questions about the markets or your accounts, we welcome your calls and questions at any time.

Period Ending March 31, 2018

	Annualized Total Returns					Calendar Period Total Returns							
	YTD	1 year	3 year	5 year	7 year	10 year	2017	2016	2015	2014	2013	2012	2011
Dow Jones Industrial Average	-1.96%	19.39%	13.48%	13.32%	12.87%	9.86%	28.11%	16.50%	0.21%	10.04%	29.65%	10.24%	8.38%
NASDAQ Composite Index	2.59%	20.76%	14.27%	18.07%	15.61%	13.23%	29.64%	8.87%	6.96%	14.75%	40.12%	17.45%	-0.83%
S&P 500	-0.76%	13.99%	10.78%	13.31%	12.71%	9.49%	21.83%	11.96%	1.38%	13.69%	32.39%	16.00%	2.11%
Russell 2000	-0.08%	11.79%	8.39%	11.47%	10.39%	9.84%	14.65%	21.31%	-4.41%	4.89%	38.82%	16.35%	-4.18%
MSCI EAFE	-1.53%	14.08%	5.55%	6.50%	5.31%	2.74%	25.03%	1.00%	-0.81%	-4.90%	22.78%	17.32%	-12.14%
Barclays US Aggregate	-1.46%	1.20%	1.20%	1.82%	2.92%	3.63%	3.54%	2.65%	0.55%	5.97%	-2.02%	4.21%	7.84%
Barclays Global Agg. Ex-US	3.62%	11.75%	4.63%	1.23%	1.30%	1.85%	10.51%	1.49%	-6.02%	-3.08%	-3.08%	4.09%	4.36%

Based on U.S. dollars

Source: RBC Wealth Management as of March 31, 2018

Portfolio Focus Models

We made several investment changes in our Portfolio Focus models this quarter. Here is a brief recap of our updates:

Core Stock Model

In our core stock model, we initiated a position in Tencent Holdings Limited (TCEHY): a Chinese internet services company. This is consistent with our current strategy of increasing international equity exposure. Meanwhile, we sold Chicago Bridge and Iron (CBI) which has agreed to a buyout from McDermott.

Tactical Stock Model

We added Under Armour Inc (UAA) to our tactical stock model, which is showing some positive technical signals after nearly 3 years of declines.



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Portfolio Focus Models (continued)

ETF & Mutual Fund Models

In both our ETF and mutual fund models, we purchased initial positions in the energy sector, buying ALPS Alerian MLP (AMLPL) in the ETF model and Advisory Research MLP & Energy Fund (INFIX) in the mutual fund model. We are bottom fishing the energy sector that has underperformed for a number of years, but is revealing some good values currently. Our fixed income allocations continue to be positioned for a flat-to-rising interest rate environment.



Charitable Planning

With the passing of the Tax Cuts and Jobs Act at the end of 2017, it ushered the most comprehensive tax law overhaul since the 1980s. Included in the act is the doubling of the standard deduction to \$12,000 for individuals and \$24,000 for married couples. The federal lifetime exemption also increased to \$5.6 million for individuals and \$11.2 million for married couples. These changes may require you to review your charitable planning strategy. Some options you and your tax advisor may want to consider include:

Bunching Itemized Deductions

By bunching or consolidating your charitable gifts into alternating years, this may increase the chances that an itemized deduction would be more beneficial to your tax situation.

Appreciated Securities

Gifting highly appreciated securities during your lifetime to charitable causes will help you to avoid a costly capital gain while being able to claim the full value of the security gifted.

Donor Advised Fund

The donor advised fund (DAF) is often used by donors who wish to maximize their current income tax deductions. This relatively inexpensive tool can be used to direct charitable contributions and subsequent funds can be added. For additional information regarding DAFs, please see the attached fact sheet below and contact us with any questions that might arise.



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April is Financial Literacy Month

In 2003, President George W. Bush declared April Financial Literacy Month, as requested by Congress. Financial literacy is vital to the success of individuals and society as a whole. In an era of stagnant wages, higher costs of healthcare, and ballooning tuition, it is as important as ever to have a workforce that understands these challenges and has the skills necessary to help them strive for financial freedom.



If your children or grandchildren are ready to begin learning about money and investing, please reach out to us! We have age based material for children 7 and older to help begin learning about personal finance. For older children, we can offer basics on the economy, investing, workplace retirement plans, and more. We are also more than happy to address your children's specific questions and needs in-person or over the phone.

If there's something you would like to see us address in future issues, email colby.spann@rbc.com so that we can do our best to provide material of interest to you in coming editions of our newsletter.

We want to thank you for taking the time to read this quarter's letter, and more importantly, for choosing to work with us.

Happy Spring (finally!)
The Abrahamson Investment Group
-Kirk, Mike, and Colby



**Wealth
Management**

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ⁱ [S&P 500 Volatility In 2017 Was The Lowest In History \(SPY\)](#), Tom Reece

ⁱⁱ [Investors Got 'Skittish' in First Quarter But Stock Gains Still on the Horizon](#), Kinsey Grant

The Donor Advised Fund



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Charitable giving can be a powerful way to create a legacy and carry the family name into the future. It also offers a financial tool for family estate planning and tax management.

One charitable giving vehicle that is popular with financially successful individuals and families is the Donor Advised Fund (DAF). Choosing a DAF to help accomplish your charitable goals may offer you an easy way to make significant gifts over a long period of time — while enjoying significant tax advantages. And unlike a private foundation, a DAF may require less money, time and legal/administrative assistance, to establish and maintain.

The donor advised fund: what is it?

A DAF is often used by cost conscious donors or by donors who wish to maximize their current income tax deductions. It is a gifting vehicle created with a ‘parent organization’ such as a community foundation or another qualified 501(c) (3) non-profit organization. The parent organization provides a document, normally free of charge, in exchange for an irrevocable relationship. While you may choose what charity to support, you have few responsibilities beyond donating funds and suggesting how they are used. The parent organization will provide you with options for the investment component as well as the complete administration of the fund without the paperwork and start up expenses. Contributions of cash can be deducted up to 60% of adjusted gross income (AGI). Appreciated securities (marketable securities are valued at fair market value) are usually limited to 30% of AGI. A five year carry forward of any remaining deduction is available.

How does it work?

Funding your account is fairly simple and straight forward. First, you sign a ‘letter of understanding’ which establishes the account, names it, and recommends an investment strategy. You can choose an ‘endowed fund’ which invests your contribution in perpetuity and is allowed to distribute earnings only — helping create a lasting memory of your philanthropic goals. Or you can choose a ‘non-endowed fund,’ which allows you or your designee to make distribution recommendations up to the entire account balance (principal and earnings). Next, you contribute the required minimum amount of assets, which may include cash, marketable securities, and other types of assets, depending on the fund. The required minimum contribution varies from fund to fund, however it is often less than the minimum contributions required by private foundations.

Throughout your lifetime the DAF allows you or your designee to make ongoing, non-binding recommendations to the fund regarding how much, when, and to which charities grants from the fund should be made. You or your designee can also offer advice to the fund as to how contributions should be invested.

Plus, the DAF allows you to make additional contributions from year to year, which helps you generate additional income tax deductions when the transaction is completed. This is one of the key features and benefits a DAF may offer you during your lifetime.

For estate planning purposes, the DAF can make grants to charities named in your will or other legal instrument, such

as a revocable living trust. Or, you may designate which heir(s) may make grant recommendations.

These distributions can be identified as coming from your specific account, or they can be made anonymously at your request. However, there is one important caveat: the fund is not obligated to follow your suggestions — that is why they are called “Donor Advised Funds.” While keeping this fact in mind, it’s also important to observe that in general practice, many DAFs honor the wishes of the donor’s estate.

How Donor-Advised Funds Work



Setting up a DAF through RBC Wealth Management

Your RBC Wealth Management® financial advisor will help you take full advantage of our associations with RBC Trust Company (Delaware) Limited, and Comerica Bank & Trust, N.A.

- American Gift Fund (via RBC Trust): \$5,000 minimum
- Comerica Charitable Trust: \$50,000 minimum

Call your financial advisor today to discuss how you can create your legacy through charitable giving and enjoy significant tax advantages by using a Donor Advised Fund.

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