GUILD INVESTMENT MANAGEMENT

Service • Integrity • Experience

Managing Volatility for Investment Success In 2019 and Beyond

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We thank you for participating in the conference call and we look forward to helping you reach your investment goals.

Meet Our Investment Committee

Monty Guild
Founder/Chief Investment Officer

Anthony Danaher
President/Portfolio Manager

Tim Shirata
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Senior Research Analyst

Managing Volatility for Investment Success In 2019 and Beyond: Guild's Principles

1. Limit Portfolio Positions
2. Target 30% Upside in 12 Months
3. Maintain Loss-Cutting Discipline
4. Understand Your Own Psychology

Your Portfolio: A Maximum of 20 Positions

Through top-down and bottom-up research, pick a careful portfolio with a maximum of 20 positions.

With a portfolio that's too large, you face:

(1) limitations to your ability to have a thorough enough knowledge of each company;

(2) trouble staying abreast of current events affecting each company; and

(3) difficulty creating liquidity if you need it.

"Don't put your eggs in a lot of baskets; put them in a few baskets, and keep a close eye on them."

Getting Reward / Risk Right

Buy stocks that you believe can appreciate 30% in the next 12 months.

Always have a reward/risk ratio of at least 3 or 4 to 1.

To achieve this:

(1) Do deep research; study the company, its history, its current situation, and its prospects thoroughly.

(2) If a position meets your objective, re-evaluate upside potential and downside risk to determine if it is a sale or a continued hold.

Be Disciplined In Cutting Losses

Employ an automatic loss-cutting discipline:

***If a position's loss reaches 1/3 to 1/4 of the 12-month upside potential you've identified,* sell it.**

Understand Your Own Psychology

Ask yourself honestly…

What are your broad goals: to save for retirement? To create an income stream? To leave money for your heirs?

How do you respond to short-term portfolio declines?

How much volatility are you willing to tolerate?

What kind of portfolio will let you sleep at night?

What is your time horizon for your investments?

Whether managing the account yourself or not, these are the questions you should ask yourself or the broker or investment advisor you have hired.

2018 Volatility:

Where It Came From, and What It Means

1. **The Global Economy: Where It Stands, Where It's Going**

2. **Legacies of the Trump Administration**

3. **Investment Opportunities in 2019, in the U.S. and Abroad**

The volatility experienced by markets from October 2017 to the present will last a few more months, or a year or two…

It is not a permanent feature.

What Has Caused Recent Volatility?

- The U.S. economy is strong.
- The Chinese economy is weakening; it may recover by August 2019 due to current and announced measures to expand credit. This will help southeast Asian economies: Thailand, Vietnam, Cambodia, and other "Chinese workshops."
- India is doing well.
- Europe is doing poorly; a generally socialist mentality means almost no growth. This pattern will continue throughout 2019, and likely beyond.

The main culprits: China and Europe.

Features of the Coming U.S. and World Economies

Trends That Will Emerge From 2020 Onward:

- *Economic power and economic competition will determine global power.*
- *More bilateral and regional alliances; less influence of global alliances.*
- *Closer relationship between the U.S. and India; India will grow to be a global economic power.*
- *Productivity will rise, boosting economic growth; but economists currently underestimate this effect.*
- *Accelerating technological change.*

Three Legacies of the Trump Administration

Like Trump or hate him, he will have three major, lasting, historically significant effects that will reshape investment markets.

1. *The end of Chinese, Russian, Iranian, and North Korean cyberspying, and theft of trade, technology, and manufacturing secrets. Much tighter cybersecurity and national security going ahead.*
2. *The end of multilateral trade agreements, which are now widely seen to have penalized high-tech growth economies and tilted the board toward poor and corrupt countries. Development funds have been diverted by dictators. Examples include Venezuela, Argentina, Zimbabwe, Brazil, Turkey, Iran, Cuba, Russia, and many others.*

Three Legacies of the Trump Administration

3. *Reduced emphasis on military presence around the world. Reduced size of government in the U.S.; fewer regulators, fewer appointments at many departments, and is allowing a lengthy shutdown – all with limited long term effect on U.S. economic growth, which has improved significantly since 2016.*

2019 Investment Opportunities

Foreign:

Brazil: Bonds, currency; we are watching equities.

Japan: The yen will likely rise against the U.S. dollar.

India: The rupee will likely fall, but stocks will likely rise even after taking rupee depreciation into account.

U.S.:

Cybersecurity; software (cloud, AI, data center, services, anything that cuts costs for corporates); travel and entertainment; high-yielding energy stocks if oil gets too cheap (under $50/barrel); home builders if interest rates are not rising too much; dividend payers who can grow their dividend.

2019 Investment Opportunities, Continued

Gold and Silver:

Boosted by a weaker U.S. dollar, world trade turmoil, and underperformance for several years.

What To Avoid:

High end apparel (some consumers value thrift more than conspicuous consumption)

Airlines; industry is poorly managed

Autos, heavy manufacturing, basic materials (all experiencing global oversupply)

Companies with no cash flow or too much leverage

Wealth Builder Dividend Portfolio Management

In January 2016, some of our clients who are retirees asked us if Guild could offer accounts that would hold income-producing securities, and yet would not suffer like bonds as interest rates rose in 2016 and beyond. (Guild had recently notified clients to expect several years of interest-rate increases and bond-price depreciation.)

Guild selected 15 to 20 dividend-paying common and preferred stocks that we believed could be used to create income for clients during a period of rising interest rates. We picked stocks which paid dividends well in excess of the return on 10- and 20-year U.S. Treasury bonds, and which we believed would increase their dividends in a rising interest-rate environment. Except in the case of a major global calamity, we anticipated very low portfolio turnover, thus minimizing taxation risk.

The results have been good and while losses with stocks are always possible, we anticipate that results will continue to be good in the rising interest rate environment that we see ahead.

For further information, please visit our table after the presentation.

Q & A

Thank You For Attending This Presentation

We are a registered investment advisor, and offer investment management services designed to help you reach your retirement and investment goals.

If you would like a copy of this presentation, come see Aubrey at the front table.

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