SYM FINANCIAL ADVISORS

SPRING 2018

UNCOMMON INSIGHTS

In this issue: Market Commentary | SYM Employee Highlights

"I DON'T GO CRAZY. I JUST GO NORMAL FROM TIME TO TIME."

—The Stock Market

"Corporate profits and economic growth are strong, but there is unease about the future path of Federal Reserve interest-rate increases, the impact of rising fiscal debt and deficits and the potential for trade wars. Realized volatility in the S&P 500 Index was 20 percent last quarter, up from just 6 percent in the fourth quarter. That is a tremendous increase."*– Bloomberg View, April 4, 2018*

Volatility Reflects Both Rational and Irrational Expectations

Much has been written about the recent increase in market volatility. In light of the April 2018 Bloomberg quote above, you may be surprised to also hear, side-by-side, two other prominent investment luminaries' opinions on the topic of volatility.

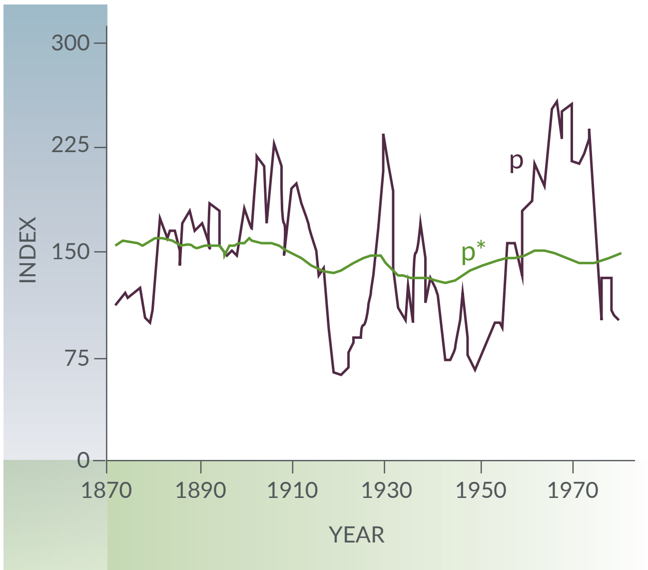
The first, Benjamin Graham, legendary Columbia University professor and mentor to Warren Buffett, once described "typical" volatility in the following manner:

> "… most of the time common stocks are subject to irrational and excessive price fluctuations in both directions, as the consequence of the ingrained tendency of most people to speculate or gamble – i.e., to give way to hope, fear and greed."

Nobel Laureate Robert Shiller also shared his thoughts on volatility after research led him to believe that stock price movements were actually too erratic to be explained by the underlying dividends' volatility; this in spite of the popularity of determining a stock's value by discounting future expected dividends back to the current day, then summing the values.

"We have seen that measures of stock price volatility over the past century appear to be far too high – five to thirteen times too high – to be attributed to new information about future real dividends…." (Schiller)

An Exhibit from Professor Shiller's Original Study



Note: Real Standard and Poor's Composite Stock Price Index (purple line *p*) and *ex post* rational price (green line *p**), 1871-1979, both detrended by dividing a long-run exponential growth factor. The variable *p** is the present value of actual subsequent real detrended dividends, subject to an assumption about the present value in 1979 of dividends thereafter.

The dates are the most surprising takeaway from these three quotations. While the Bloomberg quote was made in in April, 2018, Benjamin Graham's quote was published much earlier - in a 1976 edition of the Financial Analyst's Journal. Likewise, Professor Shiller's observations appeared back in the 1981 volume of the American Economic Review.

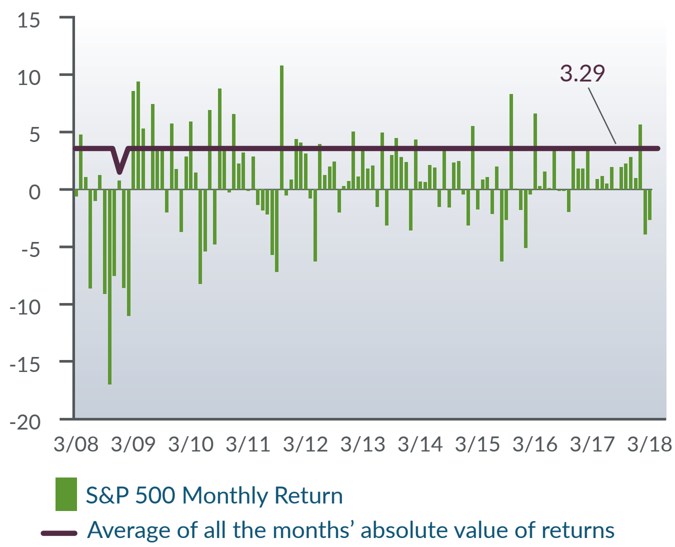
The dates indicate that Graham and Shiller's observations were formed long before the emergence of high frequency trading and long before Twitter. In fact, they were made a full decade before the first Exchange Traded Fund was launched, and at a time when the federal debt was roughly half of current levels compared to the economy's size.

In that context, one can't help but wonder how much our perception of volatility has changed since those times in the mid 1970s and early 1980s. Are "tremendous" increases like the ones Bloomberg characterizes in the current quarter truly all that significant?

Generally speaking, volatility is a measurement of how erratic something is. The following charts show the deviation of investment returns over different market environments using an average of absolute values (i.e., how far from zero) for different time periods. With a nod to Bloomberg, we concede that returns have become more volatile, reaching 3.03% over the six month period that ended 3/31/2018.

However, zooming out by a decade and using the same methodology, we can observe the last ten years' of monthly returns showing to be even more volatile than today's – averaging up or down by 3.29% in absolute value as opposed to the 3.03% deviation.

Trailing 10 Years

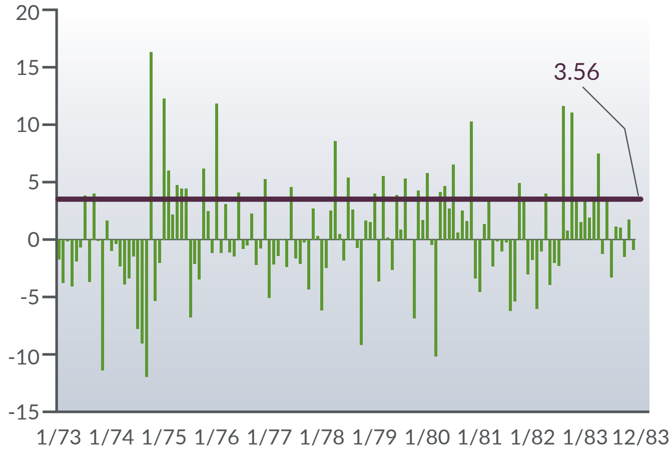


More interesting, our "modern" market appears even less volatile when compared to the 1973-1983 era of the Shiller and Graham studies. During those seemingly simpler and slower-moving times, investment return deviations averaged 3.56%.

By concluding that recent stock market volatility is relatively tamer than other, earlier market experiences, we do not mean to dismiss the impact of volatility on portfolios. There is no denying that erratic investment values can cloud retirement timing decisions and impair wealth for those investors bound to regularly spend from their portfolio, and they can also emotionally jar investors into abandoning a sound strategy. Still, regardless of its historic context, today's snapshot is all most investors see.

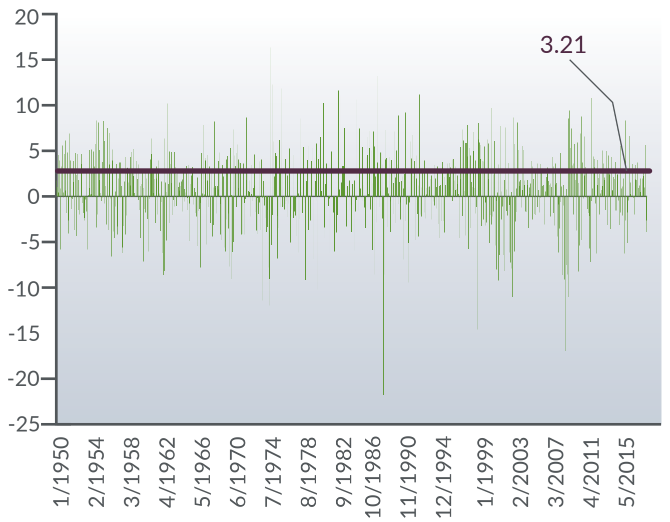
"Even a visual inspection of the monthly return charts suggests that attempting to sell stocks before "down" months and buy before "up" months promises to be a maddening dance indeed."

1973-1983: The Era Surrounding the Graham and Shiller Studies



**Past performance is not indicative of future results*

1950-2015



**Past performance is not indicative of future results*

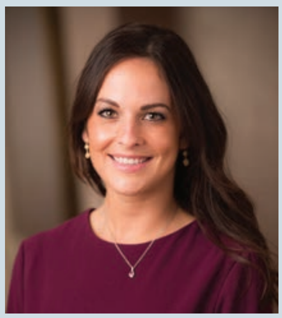
CONGRATULATIONS to Paul Dornbier, CFA

Paul Dornbier was recently promoted to the role of Senior Financial Analyst, where he will work alongside Andy Popenfoose, CFA, MS, MBA, Chief Investment Officer. Paul serves as a member of SYM's Investment Committee.

WELCOME New SYMians!

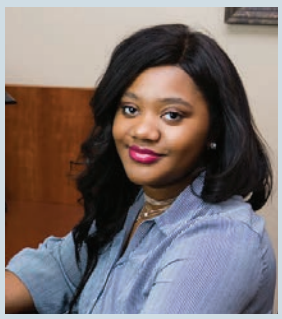
SYM welcomes Dawn Wright, MBA, Associate Financial Advisor, to our Midland, Michigan office; Gabriella Schlitt, Associate Financial Advisor, and Jodie Wolfe, Client Service Representative to the Winona Lake, Indiana office; and Mariah Sanford, Client Service Representative, to SYM's Carmel, Indiana location.

Dawn Wright



Gabriella Schlitt

Jodie Wolfe



Mariah Sanford

Market bounces are inevitable, whether large or small. SYM's favored defense against volatility has been to pair stock holdings with a diversified bond portfolio (though that statement will be news to precious few readers). However, for additional depth of context, let's apply our simple volatility study to the bond market, using the same methodology.

When we look at bond outcomes next to stock outcomes (though over a shorter time frame), the results appear distinctly different. For bond portfolios, the normal upward or downward movement in the markets between the years of 1989 and 2016 was just 0.42%, with a low point of deviation at negative 2.05%. This is significantly less than the average monthly fluctuation in stock returns over the same period of time.

To address anticipated return fluctuations, SYM's strategy includes pairing clients' anticipated spending needs with ample funds in less-volatile investments such as bonds. For funds not marked for a near-term spending need, we choose stocks as a long-term growth engine.

Our market's history suggests preparing for a choppier road ahead, with the consolation that strategies such as these have shown themselves to be timeless.

SYM named in Investment News' *BEST PLACES TO WORK*

We are proud to announce SYM's recognition as one of 2018's *Best Places to Work for Financial Advisors* by InvestmentNews, a first-of-its-kind list for the financial advice industry. "InvestmentNews is pleased to introduce our readers to firms with supportive cultures where advisors can thrive and are empowered to provide their clients with the best possible investment and financial planning advice," said Suzanne Siracuse, VP/Publisher of InvestmentNews. "They are role models for other firms in the industry who are striving to improve their own human resource policies and practices."

SYM Financial Corporation ("SYM") employees participated in this survey conducted by Investment News. Eligibility for participation in the survey was based on the following criteria: (1) Be a registered investment adviser (RIA) or affiliated with an independent broker-dealer (IBD); (2) Be in business for a minimum of one year; and (3) Have a minimum of 15 full-time employees. The survey consisted of a two-part assessment process by SYM and its employees in which SYM completed a questionnaire and the employees completed a satisfaction survey. There was no fee required to participate in this survey. Pictured: Kris Black, office manager.

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NOTES: Some monthly stock returns exceeded the plotted region, however they were included in the average calculations. Historical bond data from Morningstar references years 1989 – 2016 while some stock charts reference data back to 1950.

SOURCES: Congressional Budget Office, The Budget and Economic Outlook: 2017 to 2027, p. 90; Morningstar Inc.; Robert J. Shiller, "Do Stock Prices Move Too Much to be Justified by Subsequent Changes in Dividends?", The American Economic Review, 1981, pp. 421 – 436; A Conversation with Benjamin Graham, Financial Analysts Journal, 1976, pp. 20, 21; Market Paradigms Have Quickly Shifted on Investors, Bloomberg View, April 4, 2018.