Fortune Wealth Management, LLC

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✧ Words for the Wise ✧

"To buy when others are despondently selling and to sell when others are euphorically buying takes the greatest courage, but provides the greatest profit." **– *SIR JOHN TEMPLETON***

"There are two kinds of people who lose money: those who know nothing and those who know everything." **– *HENRY KAUFMAN***

"An investor needs do very few things right as long as he avoids big mistakes." **– *WARREN BUFFETT***

"In theory there's no difference between theory and practice, but in practice there is." **– *YOGI BERRA***

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Financial Focus

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New Member

Michael Adams

Please help Fortune welcome our newest team member, Michael Adams. We are extremely excited to have Michael here working with us. Michael started his financial services career after college with Fidelity Investments in 2011 where he gained experience in securities trading and financial planning. He holds the FINRA series 7 and 66 registrations and is currently pursuing his CFP® designation, which he hopes to complete early next year.

Mike will have an impactful role in serving on the investment committee with the base and expertise he developed at Fidelity working with mutual funds as well as other investments. Other areas of focus for Michael will be assisting with research, portfolio construction, financial planning and investment planning strategies. Michael will work directly with Sonja White's clients to help ensure a professional and engaging customer service experience.

Michael is a Dallas native and graduated from Jesuit College Preparatory school and ultimately Texas Tech University with a degree in Economics. Michael was in the Phi Delta Theta Fraternity at Texas Tech. You can reach Michael at extension 226, or Michael@fortunewealthmanagement.com.

Performance Reports and Software Updates

By Patty Ries

As you know, we recently changed our performance reporting software. We have tried to work out the kinks and are continuing to enhance these reports. We welcome your feedback as we navigate this new program. Thank you for your patience as we have made this transition. We appreciate your business.

The $Dollar$

By Sonja White, CLU, ChFC

Recently the United States Dollar reached a twelve-year high. This new high came after the dollar climbed about 11% in the past 4 months, and over 22% in the past year. With the dollar surge in place, Janet Yellen's comments on March 18th regarding the Fed's plans for interest rates did cause the dollar to pull back at one point during the day as much as 3%. This was the largest pullback of the dollar in six years, and did slow the dollar down some. The comments, which included removing the word "patient" and stating that they could raise rates if the economy improves, had a dramatic impact on the dollar as well as the stock markets. The dovish comments whipsawed the markets from an almost 1% decline to close at over a 1% gain by day's end. The initial market movement at the time of her comments was a complete reversal of a significant decline to a small gain in a matter of seconds.

A strong dollar affects many aspects of our economy. Domestic based exporters and US investors investing overseas are on the negative side of this. A strong dollar can serve to keep inflation down, which can serve to be positive. Janet Yellen referred to this in her most recent comments on March 18th. Having low inflation helps keep prices down for many consumables. Probably the largest area we are seeing savings is on energy, especially at the gas pump. A strong dollar helps to keep a lot of commodity prices low, including oil. The entire slide in oil prices we have seen over the past few months is definitely not entirely attributable to the rise of the dollar, but it does play a relatively strong role.

Some of the negatives of a strong dollar include the possibility that domestic based companies that export will not be as profitable. The stronger dollar and weakening of the other currencies make it more expensive to buy those products for non-US buyers. Another negative of a high dollar is the possibility of deflation. You can tell from some of Yellen's comments that they may be somewhat worried about some of the negative effects of a strong dollar. It seems like the dovish comments and cutting back the Fed forecast for interest rate hikes, really initiated the derailing of the dollar rally that day. Although they removed the word "patient", they indicated a forecast to slower moves up and a lower trajectory in interest rates.

US investors investing overseas will feel the brunt of that strong dollar on their non-domestic investments. Many of the international markets did not do well in 2014, but with the impact of the strong dollar added to that, the US investor did not do well in that space. We continue to believe the international space is important for our portfolios. In most portfolios we were somewhat underweight the non-domestic areas. That helped the overall return some, but it was most definitely a rough year for that portion of the portfolios.

Many still think the dollar rally will continue. Again, without specifically stating it, the Fed does seem to be at least slightly concerned about the recent rapid upward trajectory of the dollar. Those bullish on the dollar point to data of eight-year cycles and the large increase of the past two cycles being 54% and 100%. We are currently just a few years in and about 28% up.

The next several months will be interesting for the dollar, stocks and bonds as the Fed possibly makes moves upward on rates.

Why Diversify?

By Joe Kreck

Witnessing the outstanding performance of U.S. equities over the past few years, it is natural for investors to question the merits of diversification. Although an asset allocation portfolio has delivered lower returns than the S&P 500 by this stage of the market cycle, it is important to remember the role that diversification plays in insuring a portfolio's value. By definition, an asset allocation portfolio's returns should be less volatile on the upside and the downside. For example, in 2008 a portfolio of 100% U.S. equities lost nearly 50% of its value, compared to the 33% lost from an asset allocation portfolio. The asset allocation portfolio recovered its pre financial crisis value in just less than 2 years, while the 100% U.S. equity portfolio didn't recover its value for nearly 3 years. Investors should remember that diversification is an investment tool meant to balance risk and return.

One way to diversify is across the capital markets by owning different types of stocks, bonds, and asset classes. You can improve your risk adjusted returns by investing in less correlated assets, because it is virtually impossible to predict in advance which asset class is going to outperform the others in any given year. Jack Bogle, the founder of Vanguard Group, has a great saying—"I've never known anyone who could consistently time the market, nor anyone who knew anyone who could."

Diversification is the key to long-term investment success because it can insulate you, to some extent, from losses. If you feel insulated, you are more likely to stay invested and keep investing through market volatility like we had in 2008. Being properly diversified also enables the actions that we take during market corrections such as rebalancing and tax-loss harvesting which typically lead to higher risk adjusted returns. Market volatility can be an opportunity to rebalance your portfolio back to an allocation that reflects your risk tolerance and investment objectives. Because asset allocation is a key driver of returns, it's important to rebalance to adjust for market fluctuations and resulting portfolio imbalances.

At Fortune Wealth Management we will continue to stick to what is tried and true: creating diversified portfolios, rebalancing periodically to take advantage of market drops, tax-loss harvesting when possible, and keeping costs low. We appreciate our relationship with you, and as always, we welcome your thoughts and comments.

"Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Barclays Capital Aggregate, 5% in the Barclays 1-3m Treasury, 5% in the CS/Tremont Equity Market Neutral Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index.

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Fortune Wealth Management, LLC is registered with the Securities and Exchange Commission as a Registered Investment Advisor. Fortune Wealth Management, LLC takes a team approach to investment management services. Our wealth of knowledge, experience, and support allows us to provide uniquely personal investment management that reflects the dynamic nature of your life and honors the significance of your dreams.