

# Perspectives

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## FIRST QUARTER REVIEW

### Early Impacts of the Post-Election Economy

The first quarter of 2017 has concluded and so we take stock in all that has happened. Global equity markets continued to display the strength we have experienced since the 2016 US election.

For the year to date period, the S&P 500 was up 6.07%, while the Nasdaq Composite was up 10.13% and the Dow Jones Industrial Average was up 5.19%. International markets were also strong, with the MSCI EAFE Index up 7.39% in the period.

The three main strategies that we manage here were a bit mixed, with the Biondo Focus Strategy up 12.93%, the Biondo Growth Strategy up 8.99% and the Biondo Dividend Strategy up 2.86%. Clearly, growth stocks have outperformed value stocks in the period, as displayed in the above-mentioned returns at both the index level and as our strategies reflect. This see-saw action between growth and value has persisted for some time now, furthering our belief that exposure to both continues to make sense for the majority of investors.

#### Politics and Markets

Following the election, we anticipated a decoupling from markets and politics. While in some respects this has occurred, politics still appears to be driving the decisions of many investors. While some desire to be more aggressive, others have grown cautious—and it appears to be largely based on their political outlooks. While we certainly take government policy into consideration, it has been our experience that allowing politics too much influence on investment decisions can be detrimental.

Generally speaking, investors have cheered President Trump’s victory on what has

been perceived as a pro-growth agenda. Now in office, the perception becomes reality and the learning curve in politics can be steep. The GOP was dealt a defeat over the Affordable Care Act and the “repeal and replace” agenda. President Trump’s budget proposal also faces political uncertainty in our view. Tax reform policy, which likely packs the biggest economic punch, faces questions in terms of impact and timing. Nevertheless, the President’s early moves suggest a desire to significantly reorient the federal government, and markets have generally applauded that stance.

*“Politics still appears to be driving the decisions of many investors.”*

As the equity market continues to advance, our caution grows in the very near-term. As it appears to us that markets have priced in a robust tax package, anything perceived to be short of that is likely to have negative impact on markets in our view. Failure of the GOP health care plan makes tax reform more difficult. A major component of the American Health Care Act was a \$1 trillion repeal of taxes that were enacted as part of the Affordable Care Act and a corresponding set of cuts to Medicaid. Without that baseline reduction, policymakers will be forced to find other revenue offsets, making tax reform more difficult. While we still believe tax reform is likely and a positive in the longer-term, how it is priced in current markets is a near-term concern.

*continues on page 2*

## IN THIS ISSUE



**Cybersecurity News**  
On the Leading  
Edge .....3



**Financial Planning**  
for Women  
Risk Tolerance and  
Goals .....3



**New Portfolio Offerings**  
Benefits of Exchange  
Traded Funds .....4

continued from page 1

## Economic Outlook

It appears manufacturing segments of the economy are improving, housing demand is on the rise and consumer spending accelerated. All economic data in recent months has seemed to surprise to the upside, which has helped equity markets during this advance. March consumer confidence soared to its highest level since December 2000, as the Conference Board's Consumer Confidence Index hit 125.6. We expect rising confidence to boost real consumption levels in the months to come. Inflation appears to be creeping higher—all of which means the Fed is likely to continue to hike rates in future meetings. While investors have been complacent around the past two rate hikes, if the Fed appears to be more aggressive, downside risks exist.

As of this writing, we are approaching the first quarter earnings season. This period typically offers a view for the overall corporate health and earnings outlook for the remainder of 2017. S&P 500 earnings are expected to rise 9.1% for the first quarter, the best such advance in nearly five years. As we have stated in the past, earnings growth is what drives markets higher in the long-run. With expectations for solid advances for the foreseeable future, we expect markets will continue to be favorable from an earnings perspective.

## Fidelity Transition

While risks exist and our near-term outlook has become more cautious, we remain focused on the longer-term. We continue to own what we believe are excellent businesses with capable management teams and solid outlooks for future growth. We continue to fine-tune portfolios to

*The information set forth regarding investments was obtained from sources that we believe reliable but we do not guarantee its accuracy or completeness. Neither the information nor opinion expressed constitutes a solicitation by us of the purchase or sale of any securities. Past performance does not guarantee future results.*

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represent a balance between risk and reward and are continuously looking for new ideas to implement into our various strategies.

By now, you have likely received a package from us regarding the transition to a different platform at Fidelity. Our team has gone to great lengths to make this transition as smooth as possible for all involved parties. If you have any

questions or would like to discuss any of the information, please feel free to give us a call at your convenience. We are very excited about the enhancements this new platform will afford us and look forward to sharing our enthusiasm with you.

As always, we appreciate the trust and confidence that you have placed in our firm. Our team stands ready to guide you in all aspects of your financial lives and we look forward to continued success in 2017.



**Joseph P. Biondo**  
Managing Director  
Chief Executive Officer  
Chief Investment Officer

**Sources:** Index Returns – Bloomberg; Biondo Returns – IAS; Trump Agenda, Government Reform, Consumer Confidence, Inflation – CNBC; ACA Repeal – NY Times; Manufacturing – CNN Money; Housing – Redfin; Spending – Business News; Earnings – Fox Business.

## Go GREEN by Going Paperless eDelivery Makes it Easy



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## Cybersecurity and Safety Nets



**Patrice Singleton**

**B**iondo Investment Advisors' Director of Administration & Human Resources and Chief Information Security Officer, Patrice Singleton, was interviewed by Investment News: *The Leading Information Source for Financial Advisers*, for its January 16-20, 2017 issue targeting cybersecurity.

The magazine's cover story, "Do I Need Cyber Insurance?" by reporter Liz Skinner, stressed the importance of this critical safety net. "The bad players are incredibly sophisticated, and every day you read another horror story," said Singleton.

### A Proactive Approach

From third-party security breaches to the growing number of cases of ransomware (in which a firm's computer system is held hostage until a sum of money is paid), cyber risk is on the rise. Insurance policies can cover costs that may result, but being proactive is key.

A cyber insurance policy enhances other valuable strategies, which Biondo Investment Advisors has established, like data encryption, strong password protection programs, and employee training.

Biondo's diligence on the cybersecurity front is on the leading edge. Cyber insurance policies are

underutilized industry-wide, according to *Investment News* Editor, Fred Gabriel, who notes in the January 16-20, 2017 issue that only about a third of advisors have such coverage, according to the Investment Advisor Association.

"In an age where nearly every facet of our lives is at risk of a cyber invasion, it's important for advisers to protect themselves and their firms from criminal practices online," says Gabriel.

### Cyber Guidance

Biondo Investment Advisors bought its first policy in 2014 through the broker Starkweather & Shepley Insurance Corporation. Starkweather's President Andrew Fotopulos says policies can include "employee training and risk management tools such as sample cybersecurity policies and procedures firms can put into place."

Biondo Investment Advisors frequently shares cybersecurity information. "It's important to our clients," says Singleton. Visit our website for more details.



**Jean Pavek**

## Women and Investing

**A**re you prepared? The statistics vary, but the majority of women are eventually responsible for family assets, whether through divorce, death, disability or choice. Unfortunately, many women discover they are not ready.

Lack of investing confidence may be because, traditionally, investing was the role of the father or spouse. Making investment choices on their own, fear of the unknown often results in financial decisions that can be too

conservative and not properly diversified to keep up with inflation, further frustrating investment attempts.

### The Long-Term View

Once women make the decision to seek investment advice and educate themselves, they can become more confident, often taking a long-term view, which is appropriate for their longer lifespans. For the most part, women also avoid trying to beat the market with short-term trading, saving them from potential losses.

Before deciding on an investment plan women must understand their own financial situation. What do you need to live on? What other needs do you want to plan for—education, children or grandchildren, retirement, vacations? When you have gathered this information, you then need to set goals.

### Plan Ahead

Biondo Investment Advisors has a planning document to help you through this process. After determining your risk tolerance, it will be time to decide on an appropriate diversified asset allocation.

This process may seem intimidating, but you don't have to go through it alone. Please call a member of The Biondo Group team to help you navigate the steps. Don't wait for an emergency to strike! Participate now so you have a foundation for the future.

## Exchange Traded Funds Now Available

**W**ith the upcoming Fidelity conversion in mind, I thought it would be appropriate to introduce the new portfolio offerings that are now available. We are offering discretionary Exchange Traded Fund (ETF) portfolios to satisfy client accounts that do not meet the minimum account levels required to implement a separately managed account in a cost-effective manner.

These new offerings can be implemented at lower thresholds, but still exhibit many of the same attributes of our separately managed account strategies. We can implement these strategies at an attractive cost that may make sense for many clients.

### ETFs Explained

If you are not familiar with ETFs, they are similar to traditional mutual funds in many ways. ETFs and traditional mutual funds both have shares owned by the shareholders that together create a pool of money for a portfolio manager to invest. This allows an individual investor to diversify any amount of money, retain liquidity, and hire professional investment management.

One key difference between the two products is pricing: mutual funds are priced only once per day, at the closing of the market, while ETFs trade at different prices throughout the day, like an equity. Generally, ETF's have a much lower internal management fee than traditional mutual funds, thus providing similar diversification at a lower cost.

### Achieving Goals

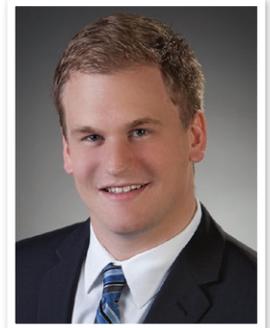
While our separately managed accounts require a higher asset level, these discretionary ETF portfolios can accomplish the common goals of diversification, proper asset allocation, and active professional management.

Our portfolio managers will be screening the universe of available ETF's to uncover the best possible portfolio for our investors.

These accounts also will be rebalanced annually to ensure the portfolio is still in line with the intended allocation.

The portfolios will be offered in four different model options containing a mix of domestic equity ETFs, international ETFs, and fixed income ETFs.

If you have additional money here or elsewhere that does not meet our threshold for a separately managed account but could benefit from active management, please do not hesitate to give us a call. Karl Wagner or I would appreciate the opportunity to ascertain the suitability of investing in these strategies for you. As always, we stand ready and willing to assist you in all matters pertaining to your financial well-being.



**Kyle Clark**

## Wagner Welcomes a Son



**Karl Wagner III**

Partner and Director of Business Development, Karl Wagner III, and wife Colleen, welcomed a son, Quinten Kelly Wagner, on February 25th.

Quinten is happy and healthy, weighing 7.6 lbs. and measuring 19.5 inches at birth. The couple also have a daughter, Collins, who is five, and a son, Karl IV, who is two.

## Improved Biondo Website

In an ongoing effort to better serve our clients, Biondo Investment Advisors is pleased to introduce our new and upgraded website at [www.thebiondogroup.com](http://www.thebiondogroup.com)!

You can expect enhanced style and features, easy-to-use navigation, quick access to your online account, and greater visual presentation of our data. We are also excited that our website is now optimized to be mobile-friendly for responsive viewing on your tablet or smart phone.

Please visit our new website at your convenience, and be sure to send us a message through the contact page letting us know what you think!