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NOW WHAT?

By any definition 2019 proved to be a banner year for the performance of “risk” assets and investors received what they are perpetually searching for – paint peeling performance in the stock market. Equity indexes finally caught up to the record corporate *earnings* of 2018 (+18%, Source: Factset) which were never reflected in that year’s equity performance (the S&P 500 price performance was -4.4% in 2018, Source: WSJ, Bloomberg LP). As my colleague Tom

Burnett will detail further below, stocks had one of their best years in recent memory with general equities providing returns in the high twenties or more.



As of this writing the natural question after such a year by many of the families we serve is:

“Now what?”



Credit to: Mark Lynch

It certainly is a fair question based on the surge of 2019’s performance and the commonly held belief the market has gotten a little ahead of itself as we embark on what many expect to be a fractious and volatile year. In fact, as recently as last September over 70% of investors were bearish in a Barron’s poll (Source: Barrons.com). At Starboard we took a deeper dive into the data, tapped the resources of our [Investment Committee](#) and leveraged the

intellectual capital from our partners at the Kelleher Family Office. The net result was a handful of distinct points we thought would be helpful in framing the investment year ahead.

Cash is still king. Although money market returns remain at historic lows, the recent market corrections have highlighted the fantastically simple strategy of hedging against the permanent loss of capital by holding cash and/or short-term quality bonds. We have yet (nor do we expect) to find a perfect hedge or reverse correlating investment despite the best efforts of Wall Street to create expensive investment products that magically insure against investments losses while still providing upside performance. Valuation is higher, but we do not believe we’re in bubble territory.

Détente is back. Like so many fashions from bygone decades, trade and political détente is back in style (at least for now) and investors have rewarded this optimism with a vote of buying confidence. In an election year it’s hard not to envision both parties pushing for economically positive outcomes with our major trading partners.

5-10% corrections and mini recessions (i.e. 4th QTR 2018) **should be expected**, but most likely will not endure and dominate the investing environment for long periods

of time. This mentality has been a common tenet at Starboard and we advise all our families to view their investments with this lens to insure their allocations reflect enough safe harbor money to endure an unlikely but possibly prolonged downdraft in the market. This mindset also prevents an investor, because of need or concern, from selling at the “lows”.

Ignore the central banks at your own peril. Whether in the Americas, Europe or Asia recent history has provided a clear lesson to investors to not bet against government monetary policy. Low interest rates sponsored by government intervention has provided a very favorable environment for businesses and investors. Long term this will be an increasingly contentious and difficult issue for governments to reckon with – however, as it relates to the near future we believe a low interest rate environment will continue to benefit stock valuations and provide a more favorable investing environment in general.

Focus your news barometer on corporate earnings growth with blinders on. There is an endless amount of headline grabbing and/or click bait material for investors to consume. Our recommendation is to focus on year over year earnings growth of the U.S. economy and individual companies. Where there’s earnings growth, stocks will eventually follow.

Quality stock holdings and low duration bonds (short maturity) **should be at the core of a balanced investment strategy.** We think this is particularly true in the current environment where risk assets are so highly correlated. Similar to the tides in Maine most risk assets, regardless of their deficiencies, have risen in recent years and it will only be when the tide goes out (the market corrects) that we see exactly who’s over the shallows and rocks. Our strong recommendation is for families to have the majority of their assets in higher quality holdings (both in stocks and bonds) even if that means paying a measured premium.

Our team will be on the road for a good chunk of the 1QTR to meet with clients, provide individualized updates, and assist with ongoing planning and family governance needs. In most cases we are recommending clients take a hard look at the amount of money that is in “safe harbor” as well as conveying any changes in cashflow or

expenditures in the coming 24 months. We pride ourselves on minimizing cashflow and planning drama regardless of the volatility of the stock market. If there is a change in your financial picture potentially requiring more cashflow/liquidity, we in most cases are raising cash expeditiously from equities. For those clients with larger existing cash and bond holdings we will continue to be opportunistic where applicable in the purchase of new securities. We look forward to seeing you in the New Year and wish you and your family the very best.

Most sincerely,

Bart

Barton W. Weisenfluh, CFP®
Founder & President

ON TO THE MARKETS

We are pleased to be partnering with the Kelleher Family Office and their holding company [Kelleher Financial Advisors](#). Together and in collaboration with our [Investment Committee](#) we will be providing quarterly (and as needed) commentary on the capital markets. [Thomas Burnett, CFA, Vice Chairman and Director of Research at Kelleher Financial Advisors](#), will be helping lead the charge for this portion of our client communications.

<u>INDEX</u>	<u>% Change YTD as of 12/31/2019</u>
Dow Jones Industrial AVG. (TR)	24.3%
S/P 500 Index (TR)	30.4%
Nasdaq Composite	35.2%
Nikkei Tokyo	18.2%
China (Shanghai)	22.3%
DAX Germany	25.5%
CAC 40 France	26.4%
FTSE UK	12.1%
Gold \$ per oz.	18.9%
Crude Oil per bbl	34.5%
RATE on Ten-Year T Bond	1.91%
VIX Volatility Index Change	-53.3%

Sources: WSJ, Bloomberg LP

As the Table shows, 2019 was the year of the Bull. Stocks, bonds, and commodities all rallied sharply after the dramatic sell off that took place at the end of 2018. As expected, the UK stock market was the main laggard with the uncertainties created by the Brexit events surrounding the possible exit from the EU authority.

While many investors focused on stocks and commodities, the bond market also gave positive returns with investment grade bond indexes up some 13% for the year. The long-term Treasury bond index also rose, with an 11.5% increase including the coupon payments.

The Federal Reserve policies of three short-term interest rate cuts in 2019 certainly helped support the markets. As China-U.S. trade disputes appear to be moving towards a settlement, the markets improved accordingly.

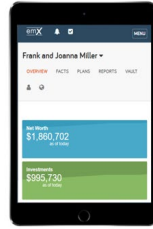
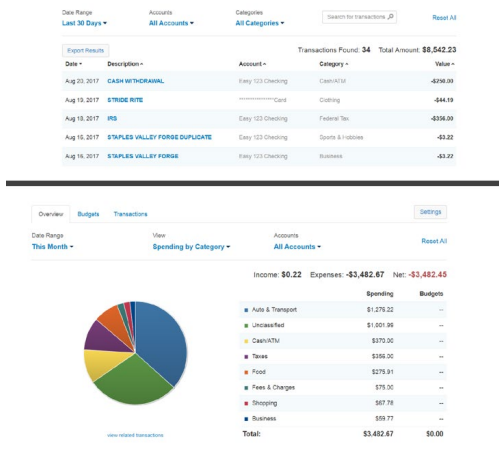
By most measures, the positive performance of stocks, bonds and commodities will be hard to beat in 2020.

2019: A YEAR IN REVIEW

January 2019



We started the new year with a small group of clients testing our new financial planning and data aggregation software and by summer we had a soft release to all clients and have received positive feedback. Starboard's eMoney is secure, mobile and desktop friendly. The data

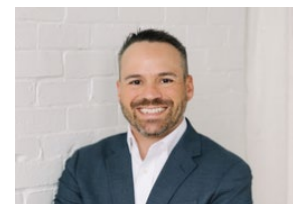


aggregation feature lets you access near-time net worth values, real estate holdings, investment account values, and other account information from any bank or custodian. [Contact Hannah](#) to learn more about Starboard's eMoney.

May 2019

We hosted our annual client round table on May 7th and welcomed an intimate crowd of clients and friends of Starboard on the waterfront at Portland Yacht Club.

Chat Reynders (Reynders McVeigh - Boston, MA), **Kevin Walkush** (Jensen Investment Management -Portland, OR), and **Matt Pore** (Albin Randall & Bennett, CPAs- Portland, ME) joined us for an engaging discussion on markets, specific investments we make on behalf of clients, and a review of the new tax law.



June & December:



Starboard, along with Bart Haag from [Albin, Randall & Bennett, CPAs](#), hosted two Portland Business Brews events and celebrated the launch of the official [Portland Business Brews](#) website.

Portland Business Brews is a recurring, fun, and memorable event that connects people while collaborating with local business owners and vendors.



September

Agenda

11:45am	Doors Open	
12:00pm	Lunch is served	
12:15pm	Bart Weisenfluh Starboard Advisors	Welcome
12:30pm	Sean Kelleher, Colleen Kelleher Sorrentino, Art Goetschius Kelleher Financial Advisors	"What a Family Office Means to Me"
Break		
1:00pm	Travis Coley & Jon Cofsky White Penny	"What's in a Name? Investing in and Managing Corporate/Family Brands"
1:40pm	Hugh O'Donnell Colby College	"Margin of Victory"
2:10pm	Nell Cataldi Viking Group	"Investment Process in a Family Office: Acknowledging What You Know and Don't Know"
Break		
2:50pm	Bart Haag Matthew Pore Albin, Randall, & Bennett, CPAs	"Collaborating to Work With Families" "What We Learned From the 2018 Tax Season"
3:20pm	Brian Brogan Saint Joseph's University	"Becoming a Whole Family Advisor: Optimizing Your Family Wealth Decisions"
3:50pm	Michael Ouellette Family Office Executive	"Hiring a Family Advisor"
4:20pm	Bart Weisenfluh Starboard Advisors	Close
4:45pm	Reception	



On September 9, 2019, we held our annual Advisory Board Meeting in The Harbor Room at Ri Ra's in Portland.

Working and collaborating with our Advisory Board is one of the most rewarding activities at Starboard and all of us coming together as a group is the highlight.



COMING UP!

2019 Year-End Client Reports

PURPOSE BASED ASSET ALLOCATION



We are in the process of mailing our 2019 year-end client reports to our clients who have not already met with us. Please keep your eye out for your report and contact us with any questions.

ABOUT US

Definition of Starboard: *Starboard is the traditional nautical term for the "right" side of a ship's hull and represented by the color green for navigational purposes. In addition, sailing vessels must give the "right of way" to sailboats on starboard tack (where the wind is coming over the right side of the vessel) and be provided clearance for safe passage.*

Starboard Advisors was founded by Barton Weisenfluh and partners with the Kelleher Family Office and their RIA, Kelleher Financial Advisors, LLC. The firm provides a dedicated platform exclusively serving families as a single point of accountability for the stewardship of their financial lives.

The Kelleher Family business interests were founded by Denis Kelleher and have grown into a diversified financial service firm with a reputation as one of the best managed and best capitalized independent firms in the industry. Today the entrepreneurial spirit is alive and well where the second generation, led by Sean Kelleher, continues to press on with secure and sustained growth with likeminded professionals.

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