



Starboard Advisors

The Navigator, Vol. 1

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2 UNION STREET

We are officially opened, furnished, and welcoming clients and friends.

Please stop by anytime at our new offices located at:

2 Union Street, Ste. 401
Portland, Maine 04101

For more information, call us at 207.358.1200 or visit us at:

www.starboardadvisorsllc.com

OUR DUTY

On early Tuesday morning January 2, 2018 I sat in the Cumberland County Courthouse. . . for Grand Jury duty. My original summons had been for September 5th, right smack dab in the middle of the formative days of Starboard. Fortunately, the State of Maine allowed me to defer and on the first Tuesday of the New Year I walked into the courthouse. Ironically, I felt fortunate as my fall deferment provided a crucial period of time to establish Starboard, complete the agreed-upon transaction with my former partners and oversee an orderly transfer of relationships.

There were over 80 of us in the Grand Jury room and 23 would eventually be selected. In Maine, for the *Grand Jury* process, jurors are selected to hear hundreds of district attorney vetted felony cases over multiple weeks at a time to affirm or disavow the continuance of the legal process, formal charges, potential trials, etc. It was a humbling experience and one of the first times my mind actually “slowed down” in the last few months.

While on the fronts lines, three things struck me immediately:

- 1) It is a terrific responsibility and duty. Serving as a juror is one of the important cornerstones of our judicial system and in many respects our country’s political system. There is simply no substitute for the process of being judged by one’s peers.

- 2) It was remarkable seeing 80 people (randomly selected) from all walks of life arrive at exactly the same time to fulfill their civic duty in the early morning on January 2nd with the air temperature hovering below zero.
- 3) There is a terrific amount of brain power contained within the court system and our district attorneys.

By the end of the morning, what became clear to me was that legal answers rarely originate simply because of the procedural capabilities of this brain trust, but rather in a close combination of their professional expertise and human judgment. As the district attorney said, “Most often we are blessed with intelligent and well-educated people in the judicial system, and usually ones possessing a strong, moral compass. Even with all that, it is difficult to come to a unanimous decision between individuals; look no further than the highest court of the land.” It is the delicate balance of human judgment and the coordination and execution of all available technical resources that is the driving force behind decision making.

After a brief orientation for the group of 80 jurors, 23 names were pulled at random from a small wooden box. As judicial fate would have it, I was not formally selected for Grand Jury duty.

Upon reflection (and taking a deep mental breath), I began drawing on the similarities between Starboard’s role as a family fiduciary and my, albeit limited, judicial experience. Because of our professional expertise and human judgment, we pride ourselves in the selection of the money managers we work with, the numerous financial solutions we vet for clients, the thoroughly mapped-out planning recommendations we make, and the strategic asset allocations we offer.

No two families are alike and nor are the financial courses we recommend; they are always singularly unique. In planning, especially with “families”, it is a more nuanced process versus a “one size fits all” answer.

Our recommendations will range from the more mundane “allocation of equities” to the often immediate questions of “What can we spend now?”, “Are we financially secure?”, and “How can we best help the next generation?”, etc., etc. Of course, there are no exact answers to this just as there are no two sets of juries with the same judicial outlook. One of our primary roles at Starboard is helping guide families in what is often uncharted territory with investment management, financial stewardship, generational planning of family wealth and cashflow planning for whatever the economic seas bring us.

I believe we have built a business that surrounds Starboard clients with an exceptional group of people to assist them, whatever their needs are, on a day-to-day basis. In addition, we made significant efforts to provide Starboard with the necessary intellectual capital to guide families with their investment management, estate planning, tax design and financial “life” planning. Our goal at Starboard was to create a flexible entity, highly personable in nature that is built from the ground up to help provide the best advice (to the greatest extent we can, given our own capabilities and in a

world of imperfect information) on an ongoing basis. Starboard will always strive to use the latest financial tools available along with time-tested methodologies, but our primary duty to clients most often comes down to one thing – *judgment*. It is judgment supported by well-researched facts and years of experience that helps us make the best decisions possible with the available information - it's "what we do."

At Starboard, we are officially "on station" and look forward to working with the families we represent in the New Year. For all of those that have supported us – thank you.

ON TO THE MARKETS: WHAT HAPPENED IN 2017 AND WHERE ARE WE GOING?

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

Performance Table for 2017

INDEX	% Change for Year
Dow Jones Industrial Avg.	26.1
S/P 500	19.4
Nasdaq Composite	28.2
Nikkei Tokyo	19.1
China (Shanghai)	6.6
DAX Germany	12.5
CAC 40 Franch	9.3
FTSE UK	7.6
Gold \$ per oz.	9.9
Crude Oil	6.1
Rate on 10-Year Treasury Bond at year end	2.45

Source: Wall Street Journal January 2, 2018

As the Table above clearly shows, all the major stock market indexes showed positive performance for the 2017 year. In a rare accomplishment, the equity markets rose in unison and gave investors plenty to cheer about in 2017. There were some important differences—Growth outperformed Value in all three measured sectors (Large Cap, Mid-Cap, and Small Cap). The Dow Jones Internet rose some 38 percent last year as that sector benefited from strong performance by stocks like AMZN, NFLX, and FB. The NYSE ARCA Biotech Index rose 37%, easily outperforming the ARCA Pharma Index which rose only (ONLY?) 13%. Importantly, US small stocks underperformed their larger counterparts as the Russell 1000 rose 19.3% compared to the Russell 2000 13.1% increase. Energy stocks suffered despite the fourth quarter price increase in crude oil that closed the year above \$60 per bbl. The PHLX Oil Service Index, for example, declined 18.6% in 2017. Finally, the 'fear' index or VIX closed at 11, down 21% for the year as investors looked for low volatility index returns in the near future.

Investors would be wise to ignore ‘extending the trend lines’ for the upcoming year. Back-to-back years of 20+% returns in the equity markets are rare and the markets will eventually correct. Based on price-earnings ratios, the market is getting very extended. Consensus estimates of S/P 500 Index earnings are hovering around \$145 for this year, up 11 to 12% from last year. With the Index currently trading in the 2,700 area, the forward earnings multiple is above 18.0x, historically a very high level. In addition, equity investors must face the inevitable action by the Federal Reserve to raise short-term interest rates this year. Most observers now expect at least three such increase moves this year, bringing the Fed Funds rate close to the 2% level. At that level, rates on the 10-year and 30-year Treasury bonds will likely move much higher than their current levels of 2.45% and 2.79% respectively. At current prices, the S/P 500 Index is only yielding around 2.0% which will not compare favorably with a 10-year Treasury yield of 3+% which appears to be the logical result of the Fed’s tightening moves. After such a bullish experience in 2017, investors should turn more cautious and temper their expectations for stock market performance in 2018.

Tom Burnett, CFA

Vice Chairman, Wall Street Access

THE “TAX PLAN” WHAT YOU NEED TO KNOW

Much has been written on 2017 tax reform and we anticipate speaking with most families on a one-to-one basis on how they will be specifically affected. [Albin, Randall & Bennett](#) has served as a thought leader in tax planning in New England for years and we’re proud to have Bart Haag, CPA and Principal of Albin Randall & Bennett on Starboard’s Advisory Board. Given the complexity and uncertainty of the new tax law, we think [this summary is the best place to “start”](#).

WHAT’S NEXT?

For clients, we anticipate sitting down and/or meeting with many of you in the 1QTR for general reviews. In addition, we will be hosting a small dinner reception with Jensen Investment Management in the late winter/early spring. Many families are familiar with Jensen as a primary equity manager in their investment portfolios. They are a very unique firm with a superb track record and we think are some of the best stock pickers on Wall Street. If you are interested in attending, please let us know (email hannah@starboardadvisorsllc.com) and we’ll contact you when we have a firm date.

We wish you a Happy New Year from our crew to yours!

Our very best,

Bart Weisenfluh, CFP®
Founder & President

Rita Newland
Principal

Hannah Andrews
Principal

About Us

Definition of Star•board: 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 in partnership with the Kelleher Family Office and their holding Company Wall Street Access. The firm provides a dedicated platform exclusively serving families as a single point of accountability for the stewardship of their financial lives.

[Wall Street Access](#), founded by Denis Kelleher, has 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.