



Starboard Advisors

The Navigator, Vol. 2

April 2018

Upcoming Events

- **May 2, 2018:** “Fireside Chat” with Starboard and Jensen Investment Management
- **June 13, 2018:** “Portland Business Brews” – a light and lively networking engagement open to local professionals.
- **July 12, 2018:** First annual Starboard Advisory Board & Investment Committee meeting and workshop

A QUICK WORD ON THE MARKETS

We are pleased to be providing clients and friends with the second issue of Starboard’s newsletter, *The Navigator*. Given the most recent market volatility, I want to jump right in and add a few comments to Tom Burnett’s market commentary which you can read further below.

Investors entered into the 2nd quarter of 2018 with apprehension after a broad sell off of equities and in particular technology shares. The S&P 500 index finished the 1QTR at -1.2%. There has been an increasing concern that inflation and rising interest rates could choke off the economy. These concerns, coupled with a considerable amount of political maneuvering in the first three months of the year, primarily around the fear of a damaging trade war, have left investors in a word, “anxious”.

The other side of the equation, however, has provided optimistic data on the overall economy with robust company earnings, low unemployment and still historically low bond yields. An old mentor of mine once told me a market climbs a wall of worry and we certainly have that now. The question is how long and deep are the potential pitfalls. We think a healthy dose of pessimism is appropriate given the market’s run over the last few years, but we also believe it is not the time to keep all your ships in absolute safe harbor. For those investors seeking returns over the long haul we continue to advise a balanced allocation and to remain opportunistic with cash and/or new money.

A FAMILY OFFICE?

This winter I had the opportunity to take an extended business trip down to sunny Florida and visit with a number of families we serve. Technically, it was Starboard’s first official visit to the State. At

one meeting in particular I was struck by a client's introduction (it's still early days here). We'll use the assumed name of "George" for the sake of this story. Upon coming across one of George's friends he said, "This is Bart Weisenfluh, President of Starboard Advisors." George's friend (not surprisingly) looked at him (and me) with a bit of a blank stare and then there was a pause. My client then looked up and said "He and his team serve as our family office." His friend then asked, "What exactly is that?" George replied,

“They are the office we work with to manage our financial affairs – kind of like our own family CFO.”

George then smiled, and looked at me and said, "Sometimes we call for other things too!" At this, there was an immediate acknowledgement from his friend who looked at me and said, "Ah, a single point of accountability?" I smiled and said, "BINGO."

I have frequently said the world does not need "another" wealth manager, RIA, or broker. It does, I believe, need a "family office." The formation of Starboard set in motion a team of professionals fully dedicated to serve the needs of families as a completely independent office to help them navigate the core challenges of financial "life" planning, investment management, as well as guidance on tax and estate planning. We do this while always having an eye on family governance, sustainability, collaboration and honoring the "intent" of the clients we serve. Building a well-capitalized firm and exceptional team to serve those families on a sustainable basis has become my passion.

My very best regards,

Barton Weisenfluh

Founder & President

ON TO THE MARKETS: Q1 2018 PERFORMANCE, DEALING WITH ADVERSITY, AND THE RETURN OF VOLATILITY

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.

Investors learned to deal with adversity during the first quarter of 2018. The major equity indexes were down for the quarter with the exception of the NASDAQ Composite which showed a gain of +2.3% but sold off sharply in March.

Performance table for Q1 2018

<u>INDEX</u>	<u>% Change in First Quarter</u>
Dow Jones Industrial Avg.	-2.50%
S/P 500 Index	-1.20%
Nasdaq Composite	2.30%
Nikkei Tokyo	-6.10%
China (Shanghai)	-4.30%
DAX Germany	-6.40%
CAC 40 France	-2.70%
FTSE UK	-8.30%
Gold \$ per oz.	1.20%
Crude Oil	7.90%
Rate on 10-Year Treasury Bond	2.74%
VIX volatility index change	91.00%

Source: WSJ, Bloomberg LP

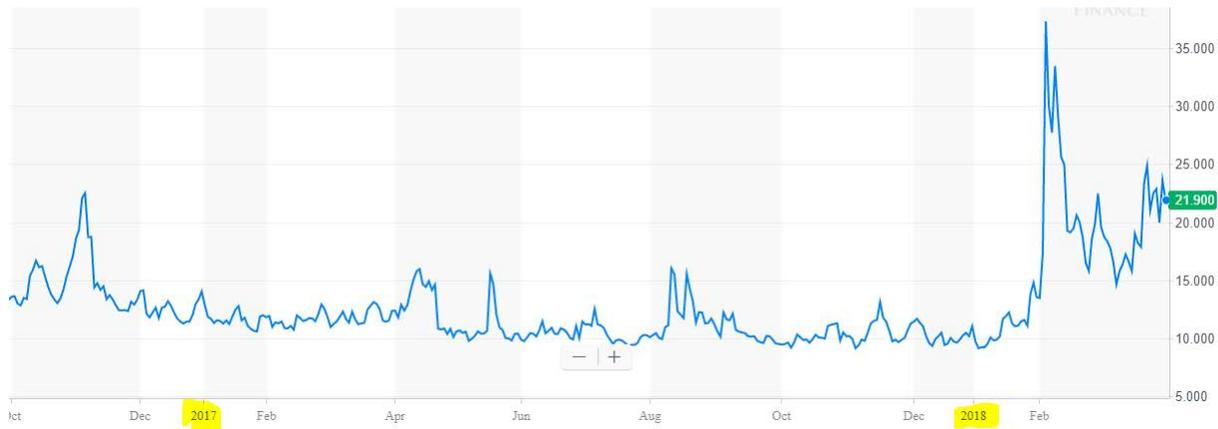
Technology stocks also sold off dramatically in March as the below table reflects:

<u>STOCK</u>	<u>% Change from 52 Week High Price</u>
FB	-18.5%
GOOG	-13.0%
NFLX	-11.4%
AMZN	-10.5%

Source: WSJ, Bloomberg LP

Volatility Returns

First quarter performance marked the return of stock price volatility. On Wall Street, volatility is frequently measured by the VIX Index, also known as the “fear index”. The VIX index value quotes the expected annualized change in the S&P 500 stock index over the following 30 days, as computed from options-based theory and the current options-market (essentially projecting the future ups and downs of stock prices in addition to the range of this change).



Source: Yahoo Finance

In 2017 the VIX index rarely closed above 10. In January, however, the VIX jumped sharply and reached close to the 40+ level during the early-February stock market selloff. The VIX closed the quarter at 21, up some 91% from year end 2017. Historically, the VIX averages between 18 and 20. In short, at Starboard we believe volatility “is back” and most likely here to stay.

Tom Burnett, CFA

Vice Chairman, Wall Street Access

CONSOLIDATED ACCOUNT APPRAISALS AND PERFORMANCE REPORTING

Starboard’s inaugural asset reporting will be released to most clients in the month of April. Familiar to many, the reporting will include a consolidated summary of a family’s assets, YTD cashflow, rolling performance and a historical summary. We have contracted an independent third party to assist with this very important and customized piece of servicing families. Our primary goal is to provide a single easy to read “financial statement” for clients to review and assist Starboard in the long term management of a family’s assets.

YOU’RE INVITED!

Please join us for an early evening of appetizers, drinks, and a "fireside chat" with [**Jensen Investment Management**](#). Jensen Principal and Portfolio Manager, Kevin Walkush, along with the team at Starboard Advisors, will be discussing Jensen's relentless pursuit of buying (and mostly holding) high quality businesses for the purpose of long term capital appreciation.

Jensen Investment Management is one of the leading equity management firms in the U.S., based in Portland, OR, and is a core equity manager for Starboard clients.

[**CLICK HERE FOR MORE DETAILS AND TO RSVP**](#)

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 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.