toll free: 855-GOLDEYS
fax: 855-465-3397
www.goldeycapital.com

A Worldly View for Todays Globalization

I recently returned from a two-week vacation in Israel where my son had his Bar Mitzva in front of the Western Wall in Jerusalem where many of our relatives attended. For the purpose of this newsletter the connection of this personal event was the dichotomy of old and new. An ancient city and people lived and prospered thousands of years ago and today people still prosper but now we all have cell phones and other changes in our lives.

The major difference between old and new was the globalization that has occurred. We went from a town crier system in a megaphone to instant chat on our mobile devices. The Crusaders set sail on their plan for world denomination and yet we complain about a jet ride of 15 hours that gets us to our home halfway around the world.

On this trip, I had multiple conversations with individuals but also business professionals at Facebook and Israeli start-ups incubators. The common theme - we are all connected.

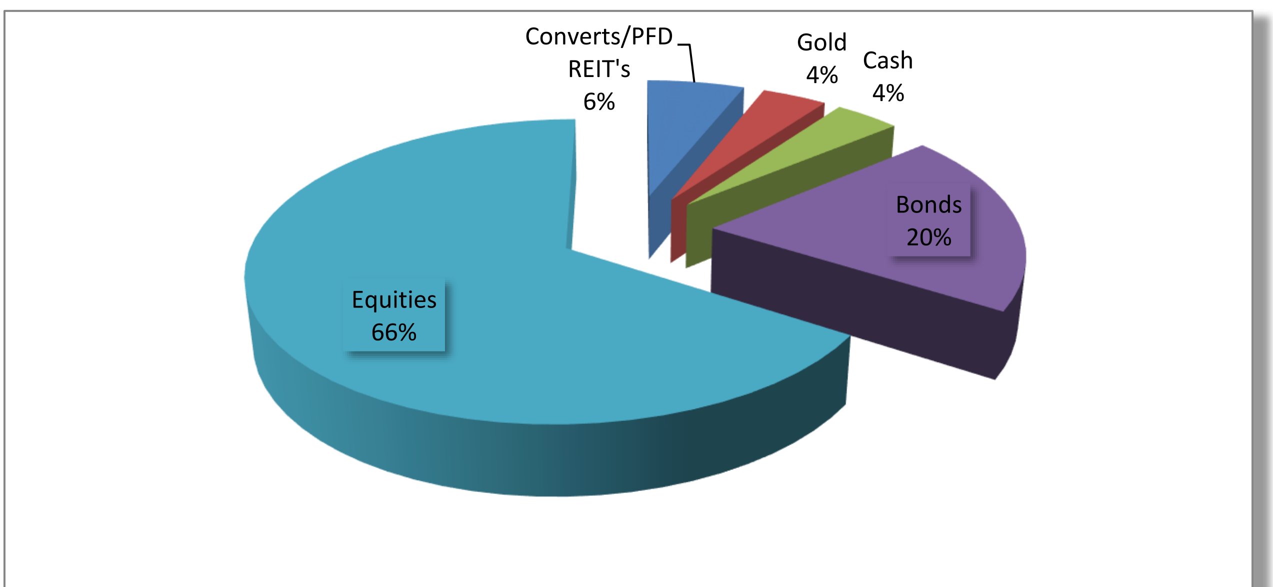
In the shadow of the holiest city on earth for the majority of humans one cannot dismiss how many different people manage to co-exist. Yes, there are conflicts and struggles which is the parallel for this business newsletter.

A great country like China is still run by communism but their embrace of capitalism has been the key to their survival and prosperity. Neighboring North Korea can barely feed its people as they direct their time, money and energy to war. These two examples shine a light on why the prosperity ahead is still great for investing and capitalism because the world has embraced business. Sure, there are conflicts politically - trade tariffs and other political rhetoric I try to avoid in these newsletters but the common denominator is we trade globally now more than ever before and that trend is increasing not decreasing. USA homebuying from foreigners increased 49% from year prior according to National Association of Realtors. The biggest surge was Canadians buying homes in Florida.

The bi-furcation occurs in the winners and losers of the world and how societies will adapt or risk the unrest of its people. A glaring example is Venezuela where hyper-inflation and rarity of goods has made the basic existence for many citizens simply intolerable. Our ETF portfolios are focused primarily on USA allocation but we do have exposure to direct foreign equity markets and debt. The USA and many other developed nations are not exposed to broad based inflation but rather deflation brought on by the Amazons of the world that have disrupted many industries. As populations increase will the shopping malls be converted into apartments? Will car manufactures stop selling cars and only rent their self-driving vehicles? So many more questions in a global interconnected world lead by technology improvements, but one simple statement remains - all citizens of this global world that embrace capitalism and trade will have a much better life than the generation before them. This is one primary reason we are still very bullish on investing for the long-run based on a globally interconnected theme.

We are starting to see more financial professionals echo our opinion that interest rates cant rise too high as the increased payments on the interest due can lead to political instability. You must still payback what you borrow plus interest, which is something that every household understands but governments seem to think printing more money is the same solution. With that said, we are still very happy with our allocation and types we are using for fixed income.

Fiduciary portfolio may vary from account based on individual needs of each client. These ETFs have been filtered from 230 different ETF's on the Schwab platform for no transaction fees, plus some that have a minimum $4.95 transaction cost. Other criteria included analyzing expense ratio (hidden cost), liquidity of daily volume, issuer strength and breakdown of individual holdings and weightings. Constant monitoring and oversight of existing positions and potential new investments is part of the daily job duty as a Fiduciary manager. Please read disclaimers at end of newsletter.



Portfolio Sample

Symbol	Name	Category	%	Trade	Expense	Yield
SCHB	Schwab Broad Market	US Large Company Stocks	16.0%	free	0.03%	1.72%
SCHA	Schwab US Small Cap ETF	US Small Company Stocks	6.5%	free	0.05%	1.38%
NOBL	ProShares S&P 500 Div	US High Dividend Stocks	13.0%	free	0.35%	1.98%
SCHF	Schwab International Equity	Intl Developed Large Company Stocks	3.0%	free	0.06%	2.26%
EEMV	iShares Edge MSCI Min Vol Emerging Mkts	International Emerging Market Stocks	2.5%	free	0.25%	2.47%
IQDF	FlexShares Intl Qual Div ETF	International High Dividend Stocks	6.0%	free	0.47%	3.32%
SCHH	Schwab U.S. REIT ETF	US Exchange-Traded REITs	4.0%	free	0.07%	2.64%
XLP	Consumer Staples SPDR® ETF	Consumer Staples	3.5%	free	0.14%	2.34%
VHT	Vanguard Health Care ETF	Health Care	3.5%	free	0.10%	1.34%
VGT	Vanguard Information Tech ETF	Technology Sector	6.5%	free	0.10%	1.07%
XLF	Select STR Financial	Financial Sector	3.0%	free	0.14%	1.66%
KRE	SPDR® S&P Regional Banking ETF	Regional banking	2.5%	free	0.35%	1.50%
SCHZ	Schwab US Aggregate Bonds	US Investment Grade Corporate Bonds	13.0%	free	0.04%	2.27%
PGX	Powershares Preferred	Preferred Securities	2.0%	free	0.50%	5.63%
BKLN	PowerShares Senior Loan	Bank Loans	2.0%	free	0.65%	3.90%
BSJK	Guggenheim Bulls 2020	US Corporate High Yield Bonds	3.0%	free	0.43%	4.86%
PCY	PowerShares Emerging Debt	International Emerging Market Bonds	2.0%	free	0.50%	4.98%
IAU	iShares Gold Trust	Gold and Other Precious Metals	4.0%	free	0.25%	0.00%
CASH		Cash	4.0%	free		
		Total Allocated	100.0%			

*Source for SEC yield, expense ratio, daily liquidity provided by 3rd party, Morningstar Inc™

Custom allocation alterations might be suited for certain clients with concentrated positions. For example, an investor with a concentration of a tech stock might choose to have a lower or non-existent allocation to the tech ETF symbol VGT. Another example; an investor client might have a large unrealized profitable position in Berkshire Hathaway and no desire in triggering that gain so they may want to consider their allocation to the ETF symbol SCHB with high exposure to US large cap companies. DIY clients on the EZetf platform can accomplish a custom rebalancing on their own by using the slider bars on their portfolio interface online. This customization is also available for clients enrolled in the Fiduciary services advisory program from GoTo Financial where your personal Advisor does the work for you along with continued monitoring and other fine-tuning adjustments.

<u>Portfolio Reasoning</u>

Rates will one day go higher! We just don't know when that day will come, and how many rate increases will follow. This portfolio allocation leans towards the theory <u>that rates will not go higher in quick succession</u> following the first-rate hike. Debt and bonds lead the way for the entire influence of portfolio allocation as our allocation to equity would be lower if we had high-quality safe choices for fixed income. This allocation is under constant review so consider all comments and illustrations for educational purposes.

Why Bonds? With the Japanese and German governments issuing sovereign debt with a yield near zero, this translates into an annual negative number of minus real 2-4% when you factor in inflation. In our opinion inflation is not the current threat as deflation is present in food, clothing and other staple prices. The US Treasury debt has been the destination for the world as evidence in times of crisis and the "Flight to Safety". With that knowledge, the US and other sovereign nations of quality have been printing debt. Why should any nation pay higher interest payments than they have to? The current US Debt according to website, www.usdebtclock.org, is $19.95 trillion dollars and this does not include unfunded obligations. A ¼% rise in interest rates equals an increase of almost $50 billion dollars in debt payments for interest and this $50 billion is approximately what we spend yearly in our entire country for all Domestic Protection (police, fire, courts, prisons, etc.) based on statistics from www.usfederalbudget.us.

If foreign governments and large institutions stop buying our debt then the marketplace will adjust to the levels and yield that buyers are willing to pay. This natural process is what happens in a free economy. If this were to occur and yields rise faster than expected, we will re-asses our thesis.

With an exposure to foreign debt and US broad based bonds along with specialty items such as bank loan and convertible preferred, we feel the mix is appropriate for our thesis on global interest rates. We encourage all clients to consider having a percentage of investable assets in cash, CD or other high-quality bonds with an emphasis on short-term maturity dates.

Why emerging debt symbol PCY? – We believe a 2% weighting is a nice contributor to an overall allocation where total return and income are the focus. The holdings consist of 98.5% of foreign government debt and not the type of position we would suggest investors buy for individual names. The diversified nature of this portfolio makes us a little more comfortable owning a portfolio comprised of an average credit quality of BB. The average maturity is on the long side for our overall thesis on flexibility on interest rates. We would not overweight this sector for bonds and would use appreciation to trim down to try and keep near a 1-2% allocation.

Why senior loan debt symbol BKLN? – Many investors are unaware of this category of bond investment so a separate education is wise. We believe a 2-4% weighting is a nice contributor to an overall allocation where total return and income are the focus. We would lean closer to the 2% allocation for portfolios where there is no outside cash or other situations that effect overall allocation to risk/return. Senior bank loan debt is not typically issued by high-quality A rated or better companies, nor is the marketplace for this type of debt instrument highly liquid. This fund has many nuances in construction to mitigate liquidity issues including the holding of cash and high-yield bonds that offer more liquidity should redemptions be necessary to meet demand. Senior loans have their rates reset higher when their benchmark index rises so we like this sector of bonds in stable or rising rate environments.

Why Guggenheim 2020 bullets symbol BSJK? - We appreciate the unique structure of this ETF based on the underlying bonds all having a maturity date in year 2020. At time of maturity the ETF will close. With an average credit quality of B we would consider this a junk bond fund and we appreciate the country allocation of 85% USA and 5% Canada, with the remaining countries being stable; not emerging markets. With all high yield bonds, the immediate concern is not return on my capital, but the return of my capital, via defaults. We do expect some defaults to occur as do most managers of this type of portfolio but the portfolio currently has 176 different holdings so we like the diversity plus the added factor of a maturity date only a few short years away. From a risk standpoint, we prefer BSJK for overweighting when compared to other high-income choices.

Why Powershares preferred symbol PGX? – There are many things to like about this ETF along with concerns that need to be closely monitored. Preferred stocks are a type of equity that pays dividends typically higher than the common stock underlying and they are a different part of the debt structure of a company. We would not want to own this asset class in an environment where we expect rates to rise quickly, because the underlying maturity dates are very long and some have no maturity date, but they are almost always callable. We own this category for overall return and would limit to a smaller allocation with active trimming so it does not grow to a large a position within the portfolio.

Why Schwab US Aggregate bonds symbol SCHZ? – In summary, this a very low-cost ETF of only 4bps in expense ratio, with great diversity, and a focus on high-quality A rated name average, and USA based. With an average maturity of 8 years, it fits nicely within our thesis on interest rates and compliments the other bond and income oriented holdings.

Why gold iShares gold symbol IAU or SGOL? - We use gold as a hedge against stocks and bonds simply because it has a non-correlation with other assets. Under normal conditions, the world looks at gold as a unifying currency so it is a basis for investment to stabilize a portfolio. Buying IAU is a direct proxy for the bullion; not the miners or other specialists. The ease of being able to quickly sell for no transaction fee makes it more an attractive investment over owning gold coins or other tangible gold. The percentage within the portfolio will increase or decreased based on several factors including trend line charting and world events, combined with stock market fundamentals. The target range for new allocations will be 1-7% dependent on market conditions with the ability for the allocation of gold to rise up to 15% of the overall portfolio via appreciation.

Why Consumer Staples symbol XLP? - The portfolio is 99% US-based according to Morningstar and made up of big brand companies that offer items people need which is appealing in a volatile world. The portfolio is diversified among many names but the top 10 names comprise 60% of portfolio with the top positions going to Proctor and Gamble and Coca-Cola. This portfolio currently yield 2.3% and we believe is a nice addition to the broad based Schwab total portfolio symbol SCHB which includes many of the same companies within the XLP portfolio.

Why Vanguard Healthcare sector symbol VHT? - In times of uncertainty people still need heath care products and services, so this sector deserves an extra weighting based on this thesis. Top holdings include Johnson and Johnson, Pfizer, Merck, UnitedHealth Group, Amgen, and many more with the top 9 holdings equaling almost 50% of overall portfolio.

Why SPDR S&P regional Banks symbol KRE? - Regional banks have more flexibility to service consumers over the bigger banks that are restrained by regulation based on their asset size. KRE also fits into our theme of over-weighting US exposure, as 99% of its assets are based in US. We also believe regional banks are still ripe for consolidation and should be more profitable if rates rise.

Why Select SPDR Financial sector symbol XLF? - This allocation is a compliment to the regional banks ETF for exposure across to larger value companies that also include insurance and financial servicing. Also, XLF fits into the US thesis where 98% of the holdings are domestic based. The largest holding is Berkshire Hathaway followed by JP Morgan, Wells Fargo, Bank of America and Citigroup with the other 60 names held in the portfolio have a 3% weighting or less.

Why Schwab International symbol SCHF? - A 7% allocation to North America with the remaining 93% primarily allocated to stocks outside US spread amongst a variety of giant, large and medium size companies as defined by capitalization of Morningstar. A review of the top holdings finds a similarity to established brands that we achieve in the US Consumers Staple ETF where this International ETF has greater diversity and less concentration in the top 10 holdings. Big brand names include Nestle SA, Novartis, Toyota and Samsung.

Why Vanguard Information Technology symbol VGT? - With only 10 bps in expense ratio this is an excellent way of getting a diversified portfolio within this sector. This ETF is largely associated with large cap growth stocks with a large weighting to top 10 holdings. VGT maintains top concentration with Apple comprising 14%, Microsoft 9%, Alphabet 10%, Facebook 7% and the remaining names are familiar to many people who follow the technology sector. Total holdings equal 356 names so the bottom positions are factional in relation to a percentage of the overall portfolio.

Why Schwab US REIT portfolio symbol SCHH? - REITS (real estate investment trusts) are a great way of investing in real estate. REIT's are largely considered an income source investment because 90% of their net income must pass through to investors to qualify as a REIT. They are excellent choices for potential appreciation as well. REITS offer diversity and low cost as opposed to direct ownership with far less constraints to buy, sell or maintain. In a rising rate environment, we anticipate REITs will be negatively affected but based on past observations this is typically reactionary and overdone. Currently, Simon property Group and Public Storage comprise almost 13% of the entire portfolio.

Why iShares Emerging Markets symbol EEMV? - All growth doesn't just happen in the US as some derive from China, Mexico, India and other countries. The underlying stocks in this basket might be too volatile for most investors but as a diversified collective the risk/return is more palatable. The target weighting of 2.5% is a good example of an area that would be adjusted higher or lower based on the risk needs of the client. Someone wanting less risk might have a lower allocation to Emerging Markets versus US Domestic. There is no guarantee one will outperform the other but based on history there is more volatility in emerging markets. No position within this 255 name portfolio currently has more than a 2% weighting.

Why Schwab US Small Cap symbol SCHA? – This position fits into our US theme with a 99% allocation to domestic companies. Nicely diversified with 1708 holdings and the top 10 holdings are under 4% of the total allocation. This ETF represents a broad-based opportunity to participate in a sector traditionally volatile to individual names. Some of the greatest wealth for investing has come from those who purchased a small company before it grew into a much larger one. The ETF limits this "Home Run" mentality versus individual stock ownership but it still allows participation and appreciation.

Why Flexshares Intl Quality Dividend symbol IQDF? – A 56% exposure to Europe and 35% to Greater Asia with a focus on some of the largest companies in their respective fields makes this ETF an excellent complement to equity exposure outside the USA. With a current yield of

3.32% and a low expense ratio of .47%, IQDF is a contributor to our model for Total Return. A 190 holding ETF with no single holding equaling 4% or more contributes to our diversity and risk strategy.

Why ProShares S&P 500 Dividends Aristocrats symbol NOBL?- We like this ETF a great deal based on its composition of only using companies in the S&P 500® that have grown their dividends for the past 25 consecutive years—the Dividend Aristocrats. The current yield of 1.98% reflects the rotation to this sector as other investors enjoy the comfort of these types of steady companies. USA based, 100% mostly giant, large and some mid-caps with no small or micro caps in their 51 holding portfolio are some of the reasons why we chose NOBL.

Why Schwab Broad Market symbol SCHB? - Simply put, this is a very low-cost way of diversifying into USA equites with only .03% expense ratio. SCHB has 1,990 different holdings and is a highly diversified equity portfolio. This ETF forms the basis of our equity exposure with other positions that we satellite around within equities to compliment this fund.

We will not be purchasing country ETF specific and will be limiting our ETF sector exposure to narrow industries such as semiconductors that fit within an economic theme. We will own the gold ETF but not the gold miner's due to regulation and other extraneous risk. It's possible we might own a broad-based commodity ETF such as US Oil but not own the refiners or explorers. We will be very selective in our use of narrow sectors and welcome any questions or client feedback. We will also communicate the reasoning behind such decisions via e-mail, newsletters or personal conversations.

In summary, this detailed outline is provided to express our care in giving our clients transparency into the methodology of decisions being made on your behalf. This commitment extends to being your advocate as a Fiduciary as we seek the best pricing and service combination for each person that has entrusted us with their investable savings.

Each quarter going forward we will update this model and portfolio thesis and try and communicate why we have shifted to or from a certain investment as it pertains to the world economy or other events that influence financial portfolio decision.

With great respect,

Ian Goldey

Ian Goldey

Portfolio Manager

Disclaimers: The opinions shared in this letter are based on the author's viewpoints and are not to be taken as solicitations for any single investment. This letter is intended for clients of Goldey Capital and for information purposes only. No investment should be made by individuals without weighing out the risk, and past performance is no guarantee of future results. Always consult your tax and legal professionals before making decision that could impact your investments, as Goldey Capital does not provide such advice. Hyperlinks to a third party website that support the author's comments have not been screened for accuracy and have not been altered by Goldey Capital. Any solicitation or advertisements on third party websites outside of Goldey Capital have not been endorsed by our firm, and we are not liable for information on those sites. All funds mentioned in this letter have prospectuses available should the reader wish to learn more. All examples, graphs, charts and the like are for illustrative purposes only. Clients of Goldey Capital are managed on a discretionary basis and have been given a separate signed agreement for fees and management style. All comments and opinions in this newsletter are owned by Goldey Capital and may not be reproduced in any way without the express written consent of the owner. Commentary from the author regarding decisions that may or may not have worked as expected are not to be construed as trading errors but rather honest opinions articulated to the reader.