



The Concord Advisory Group, Ltd.

February 2018 Market Highlights

“It Worked Well ... Until It Didn’t”

The Concord Advisory Group, Ltd.

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Concord Advisory Group: February 2018 Market Highlights

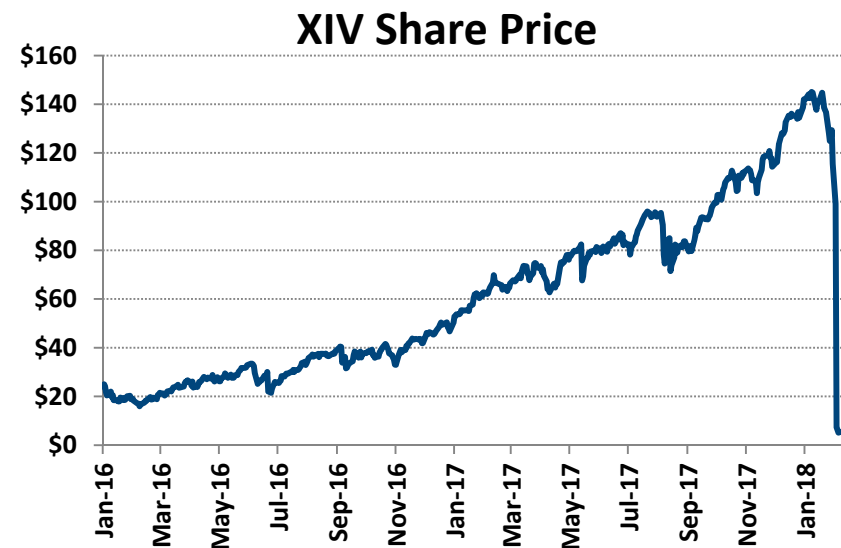
Commentary: “It Worked Well ... Until It Didn’t”



“It worked well ... until it didn’t” is a quote from Tidjane Thiam, the CEO of Credit Suisse, referencing the bank’s Velocity Shares Daily Inverse VIX Short-Term Exchange Traded Note (ETN). The ticker for the fund “XIV” is the inverse of VIX (the S&P 500 options volatility index). The XIV ETN bet against equity market volatility through the use of derivatives. Up until this year, XIV’s returns were extraordinarily strong; a new investor in XIV in January 2016 would have earned an approximate 420% total return through year-end 2017. However, on February 6, 2018, volatility spiked up from severely depressed levels. As a result, XIV crashed, and losses exceeded all of the ETN’s historic gains. The drop in value forced Credit Suisse to liquidate the ETN.

The crash of XIV highlights the discounting of prior-learned and expensive investment lessons, lessons that investors seem increasingly likely to ignore as bull markets age. Among these lessons are that the better the returns history of the investment, the more suspicious the investor should be and ignoring the potential for mean reversion is dangerous. XIV and other short volatility strategies had been among the best performing assets in both absolute and risk-adjusted measurements before this year. However, when the VIX hit a low of 9.1 in November 2017, were XIV investors aware of the losses they would face if the VIX reverted to its long-term average level of 19.4 or higher?

XIV is not the only complex volatility strategy with an impressive returns history that is drawing investor interest. Others include risk parity, volatility-targeting hedge funds and mutual funds that sell options to generate income. As financial engineering increases the accessibility of complex strategies to less sophisticated investors, the risks of bad outcomes for both markets and investors grows. When viewing strategies with returns that look too good to be true, the best philosophy should be caveat emptor, “let the buyer beware.”

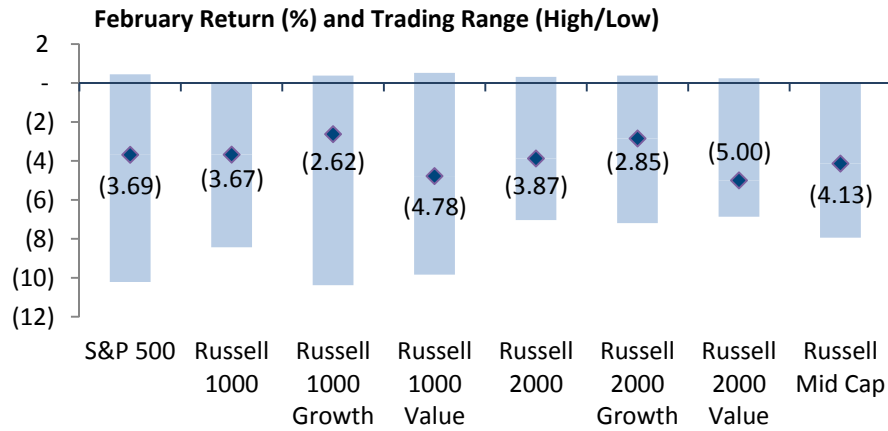


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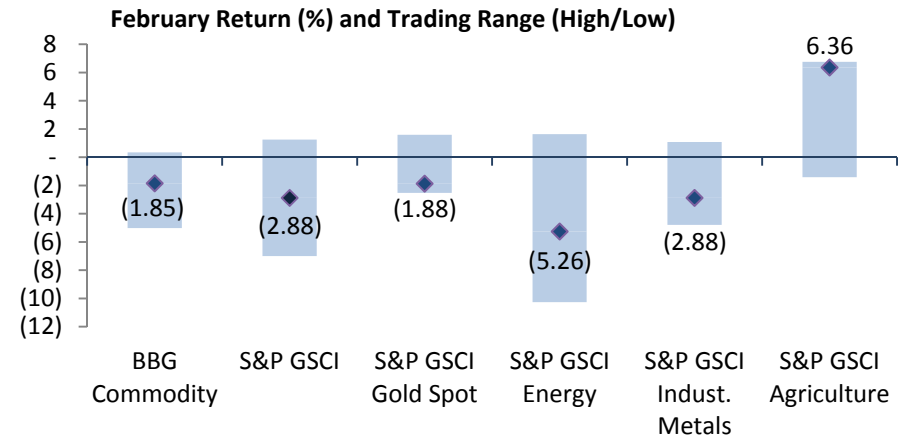
Monthly Charts



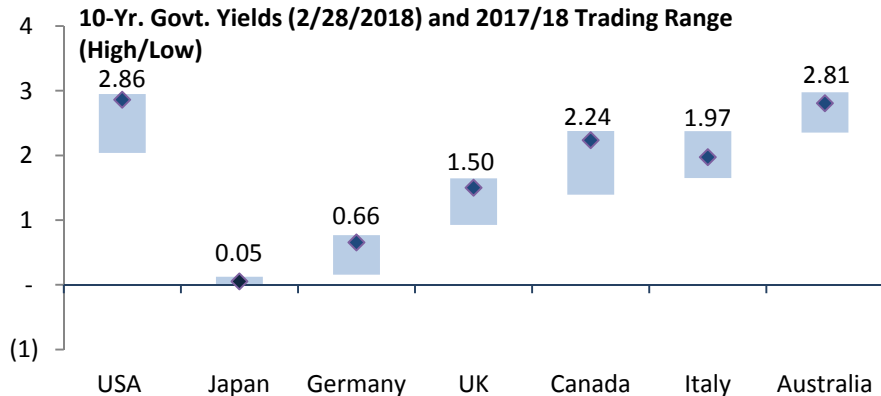
U.S. Equities: U.S. equity markets ended February in negative territory, ending a 15-month period of record gains. Investors expressed concern for rising inflation and interest rates.



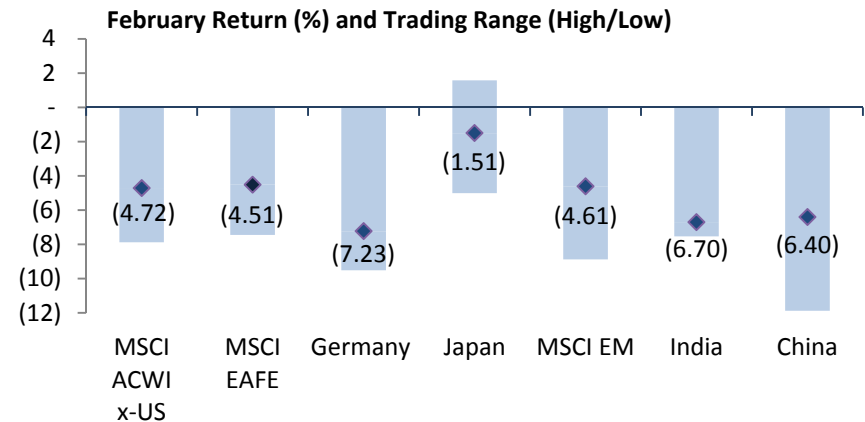
Commodities: Energy prices fell as swelling U.S. inventories pushed down oil prices and warm weather lowered demand for natural gas.



Fixed Income: Both real and nominal interest rates increased in February, as strengthening economic data stoked inflation and higher policy rate concerns.



International Equities: Developed and emerging market equities trailed the weak domestic results, as the brief market downturn extended globally.

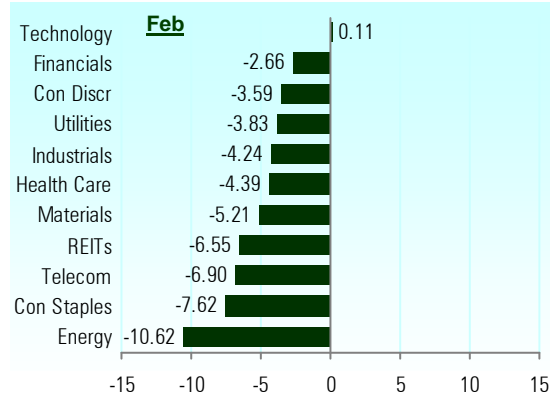


Concord Advisory Group: February 2018 Market Performance

Equity Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
S&P 500	-3.69%	2.96%	1.83%	17.10%	11.14%	14.73%
Russell 1000	-3.67%	2.75%	1.62%	16.70%	10.77%	14.56%
Russell 1000 Growth	-2.62%	5.09%	4.27%	26.11%	13.51%	17.03%
Russell 1000 Value	-4.78%	0.35%	-1.09%	7.75%	8.02%	12.04%
Russell MidCap	-4.13%	0.40%	-0.52%	11.95%	8.01%	13.01%
Russell 2000	-3.87%	-1.76%	-1.36%	10.51%	8.55%	12.19%
Russell 2000 Growth	-2.85%	1.06%	0.94%	18.44%	8.93%	13.72%
Russell 2000 Value	-5.00%	-4.75%	-3.83%	2.96%	8.03%	10.59%
MSCI ACWI	-4.20%	2.84%	1.20%	18.79%	8.34%	10.07%
MSCI World	-4.14%	2.28%	0.92%	17.36%	8.19%	10.70%
MSCI ACWI Ex-U.S.	-4.72%	2.84%	0.59%	21.63%	6.24%	6.30%
MSCI EAFE	-4.51%	1.89%	0.28%	20.13%	5.65%	7.06%
MSCI EM	-4.61%	7.05%	3.34%	30.51%	8.97%	5.02%
Bloomberg Commodity	-1.73%	3.21%	0.22%	1.58%	-4.69%	-8.08%

Fixed Income Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
Barclays Capital Aggregate	-0.95%	-1.64%	-2.09%	0.51%	1.14%	1.71%
Barclays Capital Global Aggregate	-0.89%	0.64%	0.29%	6.01%	2.45%	1.23%
Barclays Capital Intermediate Aggregate	-0.53%	-1.31%	-1.50%	0.10%	1.02%	1.38%
Barclays Capital Universal	-0.95%	-1.47%	-1.90%	0.97%	1.70%	2.11%
Barclays Capital Government	-0.74%	-1.76%	-2.06%	-0.52%	0.37%	0.91%
Barclays Capital Credit	-1.51%	-1.65%	-2.43%	2.12%	2.17%	2.76%
Barclays Capital Municipal	-0.30%	-0.44%	-1.47%	2.50%	2.22%	2.57%
Barclays Capital High Yield	-0.85%	0.05%	-0.26%	4.18%	5.19%	5.34%
Barclays Capital Mortgage	-0.66%	-1.50%	-1.82%	0.16%	1.03%	1.70%
Barclays Capital 1-3 Yr Gov/Credit	-0.09%	-0.32%	-0.36%	0.13%	0.69%	0.73%
Citigroup 3-Month Treasury Bill	0.11%	0.32%	0.22%	0.98%	0.44%	0.28%
Citigroup World Govt Bond	-0.68%	1.11%	0.94%	7.00%	2.55%	0.81%
Barclays Capital U.S. TIPS	-0.97%	-0.92%	-1.82%	-0.18%	0.79%	-0.11%
ML Investment Grade Convertible	0.32%	2.33%	3.33%	19.90%	12.60%	14.42%

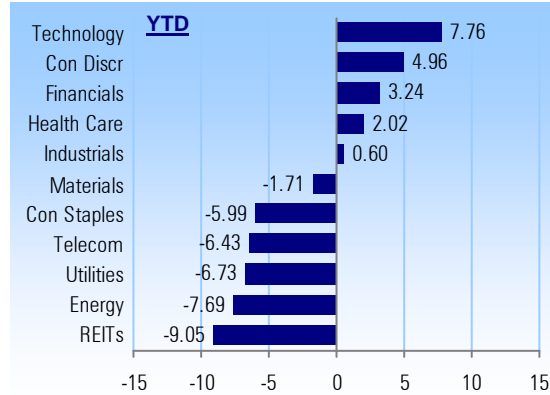
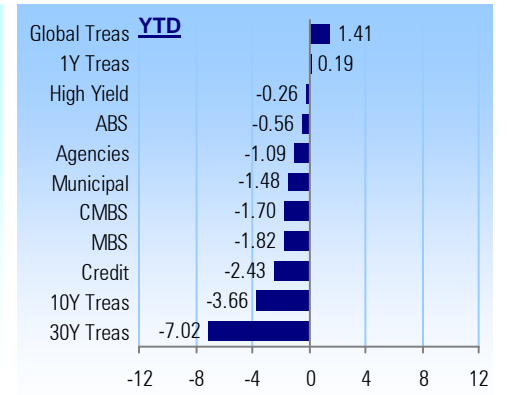
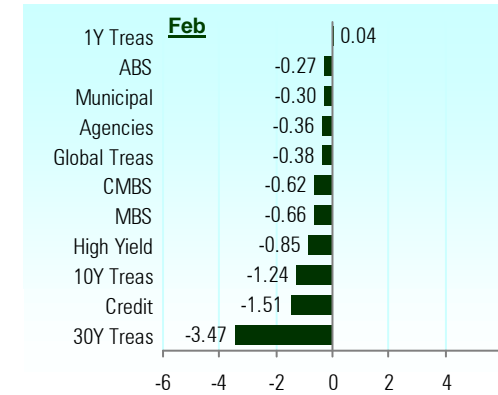
Equity Sector Returns (%)



Equity Style Returns (%)

	Value	Core	Growth
Large	-4.78	-3.67	-2.62
Mid	-4.93	-4.13	-3.14
Small	-5.00	-3.87	-2.85

Fixed Income Sector Returns (%)



	Value	Core	Growth
Large	-1.09	1.62	4.27
Mid	-2.74	-0.52	2.34
Small	-3.83	-1.36	0.94

Treasury Yield Curve

