ABL Money Management Update

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4th Quarter 2017

One of the reasons we have been stressing riding the wave in equities since this summer is the lack of enthusiasm by the individual investor. Despite last year's extended eighth year of the impressive bull market since the bottom of the financial crisis, nearly $1T has been pulled out of the stock mutual funds by retail U.S. investors. This type of skepticism seemed to increase with many investors expecting a sell-off into the new year as investors held off selling in 2017 to reduce their tax exposure by waiting until the new year. Our thoughts are that the market seldom follows the consensus of the small investor, and combined with the momentum of tax reform, stocks should continue to rally, at least early into 2018. **The new year will be challenging, but prudent investors should do well, and we see another year where stocks significantly outpace bonds.** Some of our strategies and recommendations that worked out so well for us in 2017 are still likely to outperform in 2018. **At this time last year, we stressed both international and commodities, as well as expecting another year of stocks easily outpacing bonds. These strategies proved beneficial last year, and we expect those areas to continue to prove rewarding.** Going into mid-year 2017, LanczGlobal focused on more of a barbell approach. We favored high quality income generators that we avoided in the beginning of the year, including energy (Occidental Petroleum under $60) and special situations (Compass Minerals International under $62), and then more recently, **Newell Brands (NWL $30.90),** approaching new lows around $30 a share. These types of recommendations were complemented with more speculative opportunities from last summer. Areas where we plan to reduce exposure in for 2018 would be some of the technology and commodities that have done so well. Apple is a great company, but after a 48% gain in 2017 we would use strength into the first trillion-dollar company hype this year to take partial profits and reduce exposure rather than buy**. It is even too late to buy the beaten down sectors of 2017, energy and telecom, as both sectors have impressively recovered over the past several weeks.**

One final comment is on the common sense aspect of investing in this world run by algorithms and artificial intelligence. During the heat of this past summer we highlighted Compass Minerals International (CMP) as it plunged from the mid $90's to the low $60's a share. After two consecutive extremely mild winters, CMP's deicing salt inventories swelled as pricing and profit margins plunged. Now with CMP's primary market of the Midwest suffering through blistering sub-zero weather, investors are buying CMP as if it were the next tech phenomenon. Less than four months ago, investors were acting as if the Midwest was never going to see a typical cold winter again. One example of these weather, and investor, extremes was that the city of Chicago did not have any meaningful snowfall in January, February, or March of 2017 for the first time in recorded history. The fact that this was the second such atypically warm winter for the region only made the likelihood of normalization even closer to reality. Whenever investors see such extremes and emotional decision making, whether it is weather or the latest investment craze, investors need to use common sense and take advantage of the situation rather than simply follow the consensus.

It is good to start the year with Barron's featuring a good part of our insights form last week, especially since this prestigious Dow Jones publication featured our firm in an excellent lengthy interview just this past summer. What follows is a reprint from a research piece completed by our sister company LanczGlobal LLC.

BARRON'S

MARKET WATCH: Weather, and Investor, Extremes

Edited by Richard Rescigno, January 6, 2018

Needed: Common Sense

The Lancz Letter by LanczGlobal

Jan. 3: During the heat of this past summer, we highlighted Compass Minerals International (ticker: CMP) as it plunged from the mid-$90s to the low $60s a share. After two consecutive extremely mild winters, Compass' de-icing salt inventories swelled as pricing and profit margins plunged. Now with Compass' primary market of the Midwest suffering through subzero weather, investors are buying Compass as if it were the next tech phenomenon. Less than four months ago, investors were acting as if the Midwest was never going to see a typical cold winter again. One example of these weather, and investor, extremes was that Chicago did not have any meaningful snowfall in January, February, or March of 2017 for the first time in recorded history. The fact that this was the second such atypically warm winter for the region only made the likelihood of normalization even closer to reality. Whenever investors see such extremes and emotional decision-making, whether it's for weather or the latest investment craze, they need to use common sense and take advantage of the situation, rather than simply follow the consensus. *-- Alan B. Lancz*

MARKET UPDATE | 4th QUARTER 2017

EQUITY INDICES	4th QUARTER	1-YR (12/29/17)
S & P 500	6.6%	21.8%
D.J.I.A.	11.0%	28.1%
NASDAQ	6.6%	29.6%
Russell 2000	3.3%	14.7%
International Stocks (*MSCI* EAFE NR USD)	4.2%	25.0%
Emerging Mkt Stocks (*MSCI EM PR USD*)	7.0%	34.2%
China (CSI 300)	7.2%	30.1%
Germany (DAX)	0.7%	12.5%
Japan (NIKKEI 225)	11.8%	19.1%
India (SENSEX)	8.1%	27.6%

*Global Indices returns exclude dividends and are in local currency except where noted otherwise

U.S. EQUITY SECTORS	4th QUARTER	1-YR (12/29/17)
S&P 500 Utilities	0.5%	12.6%
S&P 500 Telecom	0.4%	4.0%
S&P 500 Consumer Staples	7.2%	13.3%
S&P 500 Materials	7.0%	22.2%
S&P 500 Industrials	6.5%	22.4%
S&P 500 Energy	6.4%	-1.6%
S&P 500 Information Technology	8.6%	37.1%
S&P 500 Consumer Discretionary	9.9%	24.5%
S&P 500 Health Care	1.6%	22.7%
S&P 500 Financials	8.1%	22.7%

FIXED INCOME AND ALTERNATIVE INVESTMENTS BENCHMARKS	4th QUARTER	1-YR (12/29/17)
Real Estate (*DJ US REIT*)	1.0%	-0.1%
Interm-Term Bond (*Lehman Interm. Gov/Credit*)	0.3%	3.7%
High Yield Bond (*BofA/ML Hi Yld Mst II*)	3.2%	7.5%
Muni Bond (*S&P 7-12 Yr Muni*)	0.4%	5.5%
Short-Term Bond (*Barclays 1-3Yr Gov/Credit*)	-0.4%	1.7%
Commodities (*Bloomberg Commodity*)	1.0%	1.7%
Master Limited Partnerships (*S&P MLP*)	-2.2%	-12.0%

Sources: Morningstar, Yahoo, and Standard & Poor's. Performance is for 2nd quarter and 12 months ending 6/30/16. Performance includes dividends, except where noted otherwise.