Q1, 2019

Inside this issue...

THE QUARTERLY

Trouble with the Curve?

Q: *What do you get after the S&P 500's worst performance in a December since the Great Depression?*

A: *The best first quarter in recent memory.*

JAMES WALDEN, CFA
Director of Investments

What a difference a quarter can make.

We wrote in these pages last about the fourth-quarter rout that brought 2018 to a close and our take on its causes. While the drivers were certainly enough to cause a meaningful downturn, we maintained that the selloff was largely overdone and discussed why. That appears to be the case, as the S&P 500 gained a total 13.6% in the first quarter of 2019—the strongest of any quarter since 2009 and the best first quarter of any year since 1998. As of March 31, 2019, the S&P 500 had rebounded to within 4% of its all-time high.

Despite all the good news from the stock market early in the year, we became more cautious at the end of the quarter as the yield curve "inverted" for the first time since 2007. The yield curve is simply a line that graphs, as of a certain date, the interest yields of U.S. government bonds having different maturity dates. Under normal conditions, bonds with maturity dates farther out (e.g., 10-year Treasury bonds) have higher yields than those with closer maturities (e.g., three-month Treasury bills). Since more potentially bad things can happen over a longer period of time than a shorter period, investors demand higher compensation in return for having money lent out for longer. But in periods of economic stress, rates on shorter-maturity bonds can exceed rates on longer bonds, causing the yield curve to "invert." The yield curve can invert as the Fed increases its short-term benchmark rate, investors fear too slow (or negative) economic growth and flock to the safety of longer-term bonds, or both. This was the case on March 22, when the yield on

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... the S&P 500 gained a total 13.6% in the first quarter of 2019—the strongest of any quarter since 2009 and the best first quarter of any year since 1998.

SAVE THE DATES!

Quarterly Seminar

Plan to attend one of our next quarterly seminars. Our team will be speaking on current financial and economic topics. Our seminars fill up quickly, so please RSVP if you plan to attend on the seminar dates listed below as seats are limited.

DATES & TIMES:
Tues, May 7, 2019
Noon – Lunch provided

Weds, May 8, 2019
Noon – Lunch provided

Thurs, May 9, 2019
Noon – Lunch provided
5:30pm – Light Hors D'oeuvres

PLACE:
Clayton Wealth Partners
716 S. Kansas Ave.
Topeka, KS

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CWP is a Corporate Member of the National Association of Personal Financial Advisors ("NAPFA"). If you'd like more information about NAPFA visit their website at napfa.org.

NAPFA
THE POWER OF TRUST

Trouble with the Curve? continued from page 1

the three-month Treasury bill exceeded that of the 10-year Treasury bond. This is significant because such an inversion has preceded every U.S. recession since 1975.

To be clear, we do not believe the next recession is imminent, despite the yield curve inverting, for a number of reasons. Our research indicates that while historically inversion of the yield curve precedes a recession, the timing of the recession varies. However, this is the clearest indication yet that we are in the late stage of this expansion, a period where volatility is often elevated and relative performance among different asset classes is mixed.

For us, the investing implications of the yield curve inverting is to modestly reduce the risk profile of all but our most aggressive client portfolios. We've achieved this primarily by eliminating our longstanding overweight to equities, at least for now. As a result, client portfolios will now have a more balanced mix of equities and fixed income that is in line with long-term targets.

Changes in economic and market conditions will help guide our next move. We will reduce or increase our equity holdings depending on economic growth and/or valuations. As always, please don't hesitate to call the office with any questions or concerns you may have.

ADV Part 2A Brochure

As SEC-Registered Investment Advisors we are required to annually deliver to each client, without charge, either a current Brochure (ADV Part 2A) that includes a Summary of Material Changes, or the Summary of Material Changes to the Brochure (i.e., Item 2) that includes an offer to provide our current Brochure without charge. Following is our delivery of the 2019 Summary of Material Changes:

SUMMARY OF MATERIAL CHANGES

CWP's most current ADV Part 2 before this one was dated **March, 2018.** This ADV Part 2 dated **March, 2019,** represents the required routine annual update. In this filing we have made no material changes.

From time to time, CWP may amend this Firm Brochure to reflect changes in business practices, changes in regulations, and routine annual updates as required by the securities regulators. This complete Firm Brochure **or** a summary of Material Changes shall be provided to each client annually or if a material change is made.

A copy of the complete Firm Brochure may be requested, at any time, by contacting CWP at messages@claytonwealthpartners.com or at (785) 232-3266 or sending a request to Clayton Wealth Partners, 716 South Kansas Avenue, Topeka, KS 66603-3808

PRIVACY NOTICE

Clayton Wealth Partners is required to provide its Privacy Notice to all clients at least annually. This notice provides you, as a client, the policies and procedures we have adopted regarding the use and protection of your confidential information. Maintaining the trust and confidence of our clients is a high priority. Our **2019** Privacy Policy Notice is enclosed with this newsletter. Please read it carefully. The current Privacy Policy may be requested by contacting CWP at messages@claytonwealthpartners.com, calling us at (785) 232-3266 or sending a request to Clayton Wealth Partners, 716 South Kansas Avenue, Topeka, KS 66603-3808.

Employee Highlight: Meet Erica!

Full Name: Erica Waggoner

Position: Associate Wealth Advisor

Nickname: Ric

Hobbies/Interests outside of work:
I love to be outdoors and enjoy going to all the local events with my fiancé and children; especially if they have a food truck that sells corndogs and freshly squeezed lemonade! I enjoy crafting and building new projects.

Favorite food: Anything basic!

Favorite vacation spot:
Anywhere! I love to travel, especially out of the country.

Favorite candy bar: Whatchamacallit

Phobia: Spiders

Governance Tips for Non-Profits and Foundations

You might not guess that in the United States alone, non-profit corporations and foundations manage more than $5 trillion in assets. If U.S. non-profits and foundations were a country, they'd represent the 20th largest economic power in the world, wedged somewhere in between Argentina and Saudi Arabia.

Large or small, the institutional assets of non-profits and foundations must be held and managed to a fiduciary level of care by Board members, officers, and staff members. With many of our clients serving as board members for various non-profits and foundations, we have the following five tips to assist non-profits and foundations in selecting and overseeing investment managers.

1. **Make sure the company and its Board of Directors have a full understanding of their fiduciary duty.**
   Serving on the Board of Directors of a non-profit or foundation carries the same duty of care and skill as serving on a for-profit board. Unfortunately, many Board members in the non-profit arena do not understand that the fact they may be volunteering does not alter their fiduciary duty of care. This obligation requires that each director serve honestly, free of conflicts and in the best interests of the corporation at all times.

2. **Investment managers should be held to the same fiduciary duty as Board members.**
   This rule may seem obvious, but I've served on a number of Boards where no Board member could tell you whether the company's investment manager was held to a fiduciary duty. Investment managers held to a fiduciary duty will generally avoid commission-based products, soft-dollar arrangements, or kickbacks from companies in exchange for investable assets. The easiest way to avoid overpaying or being charged excessive fees is to demand the non-profit or foundation's investment manager act as a fiduciary "at all times." The easiest place to make this demand is within the organization's Investment Policy Statement (IPS), which should govern the Board's rules and procedures for investment management.

3. **Do the research.**
   Always require full disclosure of any legal or regulatory issues your investment advisor has encountered, and follow up with research, at a minimum, with the SEC and FINRA for any issues. Post-selection, review all statements

CLINT PATTY, J.D.
Executive Vice President
& General Counsel

   from the investment manager carefully. It is not uncommon for investment managers to charge up to double their fee for small non-profits and foundations.

4. **Issue an RFP and repeat to ensure that your money manager is competitive.**
   All non-profits and foundations with investable assets should issue a request for proposal (RFP) for competitive bids when seeking a financial advisor or investment manager. Once a selection is made, the RFP process should be repeated every five to 10 years to ensure that your manager is competitive both in performance and fees. The conclusion of the RFP process should result in a formal, written contract that demands low costs and restricts limitations of liability on the investment manager. Remember, there is *no* standard contract for investment managers.

5. **Demand measurements of performance.**
   All investment managers should have their performance judged relative to appropriate benchmarks. Such performance should always be reviewed "after fees" to get a true apples-to-apples comparison regarding the manager's performance.

Always Follow Best Practices

While most non-profit and foundation board members serve as volunteers, their duty as a corporation fiduciary does not change. Even small non-profits manage millions of dollars on behalf of their organizations. Therefore, it's critical that the directors, officers, and staff members of these companies follow best practices and never stop questioning how their money is being spent and invested.

Find us on Facebook

The team at Clayton Wealth Partners is back at it. After going on hiatus, we are busy creating new content for our blog and Facebook page to share with our friends, clients and prospects. If you haven't already, we invite you to find us on Facebook so you don't miss out on any valuable information. And feel free to share with your friends and family — the more, the merrier!

facebook.com/claytonwealthpartners

Tax Returns Requested!

Here's your friendly reminder: Before you tuck your tax return away, don't forget to send us a copy! Feel free to send it via email, mail or drop it by the office. You can even ask your tax preparer to send it to us, if that is easier for you. We like to get a copy each year so we can review entries for your Fidelity accounts, use the information when doing financial planning and help answer any tax questions that may arise during the year. We appreciate the time you take to get us a copy so that we can better serve you!

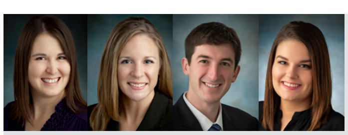
TAKE NOTE!

Our office will be closed on the following dates:

Friday, April 19th –
Good Friday

Monday, May 27th –
Memorial Day

Thursday, July 4th –
Independence Day



BARBARA DUNCAN
Vice President and Senior Wealth Advisor

ELIZABETH YOUNG
Vice President and Senior Wealth Advisor

ERIC PURCELL
Associate Wealth Advisor

ERICA WAGGONER
Associate Wealth Advisor

Aspire.
Prepare.
Enjoy.
With you for life.

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