

THE Armstrong REPORT

FALL 2016

**Dedicated to growing
and protecting your wealth**



Reginald A.T. Armstrong, CPWA®
President

QUARTERLY UPDATE

By the time you read this, it will only be about a month until we elect the next President of the United States. The United States of America is the greatest political experiment in the history of the world. So if you would permit me, I will only mention a few things about the economy, markets, and our strategy in this newsletter in order to focus on the stark choice we have this November from an economic perspective.

THE ECONOMY

The economy continues to chug along at a fairly mediocre pace. The slowest recovery in modern times continues. It's not a recession, but it doesn't feel like expansion either.

THE MARKETS

The markets have had a decent third quarter with the US stock market as measured by the S&P 500 up about 3% and over 7% for the year. Keep in mind, however, that all NYSE listed stocks are actually down over 2% from 6/30/14 through 9/30/16. Not all is well.

PORTFOLIO STRATEGY

Portfolios continued to benefit from increased exposure to equities despite the volatility experienced in September. Keep in mind, we don't so much mind the modest volatility as we do the serious declines. That's where we are focused: manage the downside risk in order to preserve capital for potential future growth.

NOW ON THE ELECTION

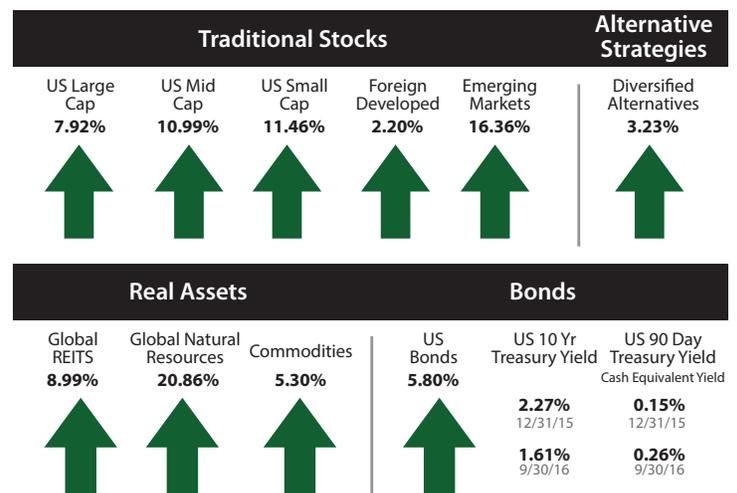
We are faced with two flawed candidates. As a Christian, I

find that both Hillary Clinton and Donald Trump as individuals leave a lot to be desired. From a moral issues perspective, the choice is a bit clearer as one candidate is certainly more pro-life than the other. But for the purposes of this newsletter, I'd like to discuss the overarching philosophies of socialism and capitalism as I believe Clinton and the Democrat Party embrace the former, while Trump and the Republican Party embrace the latter.

Socialism, according to Wikipedia, is a range of economic and social systems characterized by social ownership and democratic control of the means of production; as well as the political ideologies, theories, and movements that aim at their establishment. Social ownership may refer to forms of public, collective, or cooperative ownership; to citizen ownership of equity; or to any combination of these. Although there are many varieties of socialism and there is

Continued on page 2

MARKETS UPDATE: AS OF 9/30/2016



Market segment indexes: US Large Company (Russell 1000), US Mid Company (S&P 400), US Small Company (Russell 2000), Foreign Developed (MSCI EAFE), Emerging Markets (MSCI Emerging Markets), Diversified Alternatives (Morningstar Diversified Alternatives Index), Global REITS (S&P Global REITs), Global Natural Resources (S&P Global Natural Resources), Commodities (S&P GSCI Commodities), US Bonds (Barclays US Aggregate Bond). All performance referenced is historical and is no guarantee of future results. Indices are unmanaged and cannot be invested into directly

PEE DEE HEARTWALK

Saturday, October 15th
Downtown Florence

For the fourth year, **Armstrong Wealth Management Group** is taking on the challenge to make a small difference in the world and SAVE LIVES.

Registration starts 8:30AM
Walk starts at 10AM
Downtown Florence

Learn more about our team's participation by going to our website: armstrongwealth.com



TUESDAY, 8 NOVEMBER, 2016
DON'T FORGET TO VOTE!

VETERANS DAY CEREMONY



Friday, November 11th
Florence Veterans Park
11:00AM

Guest Speaker: BG Viet X. Luong, a classmate of Regi and the first Vietnamese born General in the US Army.

SAVE THE DATE

Year-End Tax Planning
Under the New President
November 29, 2016
The Palmetto Room

ON A SAD NOTE

Terry Stalling passed away. Please keep his families in your prayers.

Continued from page 1

no single definition encapsulating all of them, social ownership is the common element shared by its various forms.

Capitalism, on the other hand, is an economic system based on private ownership of the means of production and their operation for profit. Characteristics central to capitalism include private property, capital accumulation, wage labor, voluntary exchange, a price system, and competitive markets. In a capitalist market economy, decision-making and investment is determined by the owners of the factors of production in financial and capital markets, and prices and the distribution of goods are mainly determined by competition in the market.

Here is the bottom line truth of both systems: *socialism has failed everywhere it has been tried while capitalism has lifted more people out of poverty than any other system.* Name one truly socialist country that has prosperity and to which you would want to emigrate? North Korea or Venezuela anyone? How about the old Soviet Union or Cuba? On the other hand, despite its many flaws, especially the awful cronyism affecting the US currently, there are very many countries that have radically improved the lives of their citizens because of capitalism. Whether it is Japan, the countries of Western Europe (despite the creep of socialist policies, they achieved their wealth through capitalism), Taiwan, or Chile, these are all countries who have vastly improved the lives of their people due mainly to capitalism as an economic philosophy.

Let's contrast the stories of Chile and Venezuela. A large part of what follows comes from humanprogress.org.

- In 1975 Venezuela was the world's 10th freest economy. In 2013 it was the least free (North Korea does not provide data). Chile, on the other hand, by 2013 had become the 10th freest economy. As a result:
- Between 1975 and 2015 Chile's income per capita grew by 287% while Venezuela's shrank by 12%.
- In 1975, Chile's infant mortality rate was 33% higher than Venezuela, in 2015 almost twice as many infants died in Venezuela than in Chile.
- In 1975, Venezuelans lived longer than Chileans. In 2014, Chileans life expectancy at birth was 81 versus 74 for Venezuelans.
- With increased economic freedom, Chile has become more democratic since 1975; with increased socialism, Venezuela has become more repressive.

Finally, for those who are concerned with environmental stewardship the lessons of Germany should not be forgotten. When the democratic West was reunited with the formerly Communist East, one of their biggest challenges was overcoming the environmental devastation communism wrought. On the bright side, go visit the eastern side of Germany today, 26 years after reunification; the renewal under capitalism is breathtaking.

So we have a decision to make: do we want to embrace policies that lead us deeper and deeper into the socialist wilderness and continue the economic decline of America as we once knew it? Or do we want to embrace capitalism, perhaps temper its flaws, in order to help more of our brothers and sisters to enjoy the American dream?

Vote well.

The opinions in this material are for general information only and are not intended to provide specific advice or recommendation for any individual.

FORECASTING IS FOR FOOLS

The business news networks are full of so-called experts who attempt to forecast the markets. As John Kenneth Galbraith once said: "When it comes to the stock market, there are two kinds of investors: those who do not know where it is going and those who do not know that they do not know where it is going."

For example, the August 14, 2000 issue of *Fortune* magazine had an article called "10 Stocks to Last the Decade."* See the list below and how the stocks did.

AUGUST 14, 2000

Nokia (NOK: \$54)
 Nortel Networks (NT: \$77)
 Enron (ENE: \$73)
 Oracle (ORCL: \$74)
 Broadcom (BRCM: \$237)
 Viacom (VIA: \$69)
 Univision (UVN: \$113)
 Charles Schwab (SCH: \$36)
 Morgan Stanley Dean Witter (MWD: \$89)
 Genentech (DNA: \$150)

CLOSING PRICES DECEMBER 19, 2012

Nokia (NOK: \$4.22)
 Nortel Networks (\$0)
 Enron (\$0)
 Oracle (ORCL: \$34.22)
 Broadcom (BRCM: \$33.28)
 Viacom (VIA: \$54.17)
 Univision (\$?)
 Charles Schwab (SCH: \$14.61)
 Morgan Stanley Dean Witter (MWD: \$14.20)
 Genentech (Takeover at \$95/share)

Basically over a 74% loss in the portfolio with three bankruptcies and not a single winner. This is why we use our rules-based trend-following system known as **WealthProtect****. While no strategy can assure success or protect against a loss, we believe trend-following works better than forecasting or just holding on throughout a bear market. See our recent **White Paper on Trend Following**.

*Morris, Gregory L., *Investing with the Trend*, Bloomberg Press, 2014, pp 58-59.

**The Armstrong Wealth Management Group WealthProtect System is an investment risk control system designed (but not guaranteed) to limit significant losses in major bear markets (excess of 30% loss from market peak to market trough). It is NOT designed to prevent normal market losses (under 20%). No strategy can assure a profit or protect from a loss. Occasional false signals can reduce returns.

RENOVATIONS

Over the summer we did minor renovations and added live plants throughout the office. Below is a photo of our newly enlarged conference room. To see all of the end results check it out in person the next time you are there.



armstrongwealth.com

Download Regi's most recent white paper: **Why Trend Following?**



CONTINUOUS IMPROVEMENT

- **Regi Armstrong** attended the Advisor Leaders Forum for LPL Financial July 26-28 in Chicago, Illinois as well as the LPL Financial National Conference August 21-24 in San Diego, California
- **Emily Ridenhour** attended the Junxure Contact Management System Annual Advisor Conference September 29-30 in Denver, Colorado

COMMUNITY INVOLVEMENT

- Lighthouse Ministries **\$16,453**
- House of Hope Mother/Son Dance **\$250**
- Knights of Columbus Operation Hope **\$500**
- American Heart Association Pee Dee Heart Walk **\$500**



Armstrong Wealth

MANAGEMENT GROUP

1807 West Evans Street
Suite A
Florence, SC 29501



THE Armstrong REPORT

FALL 2016

843.292.9997

armstrongwealth.com

Fax 843.292.9969 | Toll Free 866.292.9969 | armstrongwealth@lpl.com

Securities and advisory services offered through LPL Financial, a Registered Investment Advisor, Member FINRA/SIPC.



REGI ARMSTRONG, CPWA[®]
President



H. LEE CARTER, AWMA[®], CLTC
Client Wealth
Manager



MATT RIDENHOUR, MBA, CRPS[®]
Client Wealth
Manager



LESLIE MOORE
Practice Manager



EMILY RIDENHOUR, RP[®]
Client Service
Manager



JASON CHRISTMAS, CFP[®]
Portfolio Strategy
Assistant



RHONDA HAYNES
Client Experience
Specialist