CREATIVE FUNDING CORP.
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CFC Newsletter

33 Years In Business

August 2018 Sweet Summertime **Issue # 263**

Featured Investments: Income & Growth

Opposites attract! Here are two mutual funds that have very different goals yet work well together.

- **High Income - PHYZX:** yields 6.2% annually in dividends from bond investments; has averaged 7.8% total return per year over the past 15 years.
- **Value - BALFX**: a growth fund, yields 1.6% in dividends annually, has averaged 8.5% total return per year over the last 10yrs and 7.9% per year for the last 15 years. This fund is invested in stocks and bonds and income-producing large companies. The objective is to pay consistent dividends with safety and long-term capital appreciation.

Opportunity Corner:

The stock market has been in an uptrend since March. Overall, the economy is still moving forward steadily! **Consumer spending is up by 5%** in one year and **real gross domestic product was up 2.85%** last year and **4%** from the previous quarter. **The unemployment rate is very low at 3.9%, near the lowest rate since 1969**. In the past 60 years, we have not had a recession while employment was rising! Oil prices have risen over the last year, while gas prices are about the same as last year. We believe our U.S. inventories are sufficient for U.S. and some foreign demand. **It is encouraging to see many energy & utility companies investing in renewable and environmentally-friendly methods, such as renewable fuel, wind and solar power. CPI, the consumer price index, is up 2.8%** year over year, not indicating high inflation yet.

Please feel free to contact us with any questions and/or comments or to schedule a review.

Steve Hyman
President

Shauna Hyman
Business Manager

Ric Dostie
Vice President

Quality Growth Allocation[1]

Cash & CD	Bond	Balanced	Growth	International
5%	25%	25%	25%	20%

[1] This is a general guideline; most portfolios do not have these exact portions.

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WHAT'S NEW?

While there are political risks in various places around the world and volatility in some markets, we believe the long-term upward trend is still intact. Our economy is stable; we continue to monitor our investments with caution. The S&P 500 index is up 15% over the last year without dividends. The average return since Dec. 1929 is 7.5% without considering dividends.

With the federal reserve stating that they will be continuing to gradually increase interest rates, we will be closely watching and have been preparing appropriate strategies. It will be important to monitor earnings of companies and to compare interest rates to equity investments.

With the market considering future interest rate increases, we have seen some profit taking and allocation to yield investments. Consumers are a driving force in economic growth. We have seen consumer spending increase 5% as wages and salaries rose 2.9% over the last year.

Market Trends:

Tax reform has passed with benefits for many. The S&P 500 "Earnings" yield of 4.7% is still greater than our CD/Treasury interest composite of 2.59%. In fact, the 10-year Treasury note was well above 2% for 50 years, from Jan. 1962 until Aug. 2011. It is now up to 2.94%. Therefore, we believe that S&P stocks and preferred notes - especially those with solid dividends - are still appealing. We also like mid-size companies with healthy balance sheets for potential growth.

Emerging Markets underperformed in the last decade and the last year. We now believe there are opportunities for growth there with prudent choice.

We like companies that pay consistent dividends. There are companies in the Utility, Communication, Financial and other sectors that do this. All sectors reported positive operating earnings in the 1st quarter of 2018; the largest estimated gains in the 2nd quarter are projected to be in the Materials, Energy, and Consumer sectors. The best values we see are in the Telecomm, Financial and Materials sectors.

The Roth IRA is advantageous because it grows tax-free. The Contributory Roth allows for early withdrawal of *contributions* without penalty.

If you are considering a change in financial situation (i.e. retiring, job change, moving etc.) please contact us to review. Also, if you have not reviewed in the last year, call us. We are here to help.

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