Karp Capital Management
Financial Focus

1st Quarter Report | *Positioning Your Financial World in the Global Economy* | April, 2018

WHAT NOT TO FEAR

With a barrage of political news, rising geopolitical tensions, and markets that have given some investors heart palpitations, 2018 is off to a tempestuous start. Coming off a stellar year for the equity markets, strong economic tailwinds and the passage of massive tax cuts, investors were given an incentive to remain bullish and invest aggressively, pushing January's S&P 500 return to 5.6%. The sharp rise seemed justified as the labor market continued to strengthen and economic activity across the board has been rising at a moderate rate. Market-based measures of inflation have increased moderately, illustrating economic activity is ramping up. These factors saturated the market with fearless investors, pumping money into the market and even into unproven vehicles like Bitcoin. Then came the volatility.

"Who's on duty today...you or me?"

After the first big drop in equity prices last quarter, the news was dominated with hyperbolic headlines like "the largest point drop ever", neglecting the fact that the Dow started the year at 24,719 points, twice as many points as where it was in just 2011. Some bullish investors have welcomed the re-entry of higher volatility into the markets as price fluctuations offer buying opportunities that simply don't exist when a market fails to test investors' sentiment by testing the highs and lows. When people trade on fear and lose sight of fundamentals and goals, it opens opportunities for focused investors to reap gains. For Q1 2018, the estimated earnings growth rate for the S&P 500 is 17.2%, making it the highest rate since Q1 2011. To end the quarter, the S&P 500 was trading at around 16x forward earnings, which is significantly below the 30-year median of 20x earnings. These two factors are a signal that equities are an increasingly better deal. Tech and financials lead the markets from an earnings-per-share and growth outlook, even as each sector was subject to higher volatility to end the quarter. Tech and financial sectors make up almost 40% of the S&P 500, so the performance of these industries drive the indices. Concentrating on earnings growth and economic fundamentals gives us insight and allows us to stay focused amidst all the fear and uncertainty.

As technology has continued to benefit from global growth, its prominence in the news cycle has also increased, particularly with regard to China. Trade has become the biggest macro theme so far this year as proposed tariffs have investors more focused on a potential trade war than the consistently-improving fundamentals in both the domestic and international economies. The uncertainty surrounding a potential trade war has jolted investors, but we see reasons to remain optimistic.

We want to help you stay focused on your goals. Whether it be preparing your family for financial success or donating to the causes you care about, we have a strategy to help you get there. In this issue of Karp Capital's Financial Focus, we look at how to interpret recent market volatility considering your investment goals, the recent trade worries, and how recent changes at the Federal Reserve can influence our outlook.

Weathering the Fluctuations

The first quarter of 2018 saw a quick correction and a quick recovery. The S&P 500 fell just over 10% over the course of 8 trading days, reaching a closing low of 2,582 on February 8th. Since then, we had one of the best 5-day stock market runs in years, at +5.8%. It was bigger than the rally after the election (3.8%) or the quick recovery after the Brexit vote (4.4%). This is not the first time equities quickly rebounded after a sell off but the catalyst for the dramatic move was less clear this time around. In the recent past, investors could point to some major event that stirred the markets. It was widely contended that the threat of rising interest rates were wearing on investors as well as large institutional investors winding down volatility trades all at once. Investors had become accustomed to consistent returns with little fanfare. Last year, U.S. stock markets experienced the least volatile year on record, hitting new highs seemingly every day. Then came the tax reform bill to end 2017 to boost the S&P 500 in January for a return of 5.6%. Much of the gains in the market were focused on domestic corporate earnings growth and the synchronization of global growth. It was the first year without a move bigger than 2% in a single day since 2005. It was also the first time in the 61 year history of the S&P 500 that all 12 months of the year had positive returns. In 2018 volatility has been re-ignited in the market. While the markets have continued to regain focus on fundamentals after each new development in the economy or politics, investors aren't buying euphorically as they were in 2017.

Last quarter reminded us that down months for equity returns are not only possible but normal and the markets have remained much more volatile since the 10% correction. This is when it's important to focus on fundamentals. You should be keenly aware of your risk tolerance and not let market volatility affect your investment strategy. Your investment goals, risk tolerance and strategy should all be part of a cohesive plan that only exposes you to prudent amounts of risk to reach your desired objective.

Loose Change: Banks Set Loose

As we mark the 10th anniversary of the collapse of Bear Stearns and the events that caused the banking and investment industries to send the economy into a great recession, Congress has been working to limit the law that was passed to prevent future tragedies caused by recklessness: the Dodd-Frank Act. Critics of the act have long purported the regulations imposed on the banking sector hamper growth opportunities as cash requirements are mandated so that each institution can pass stress tests. They argue that if banks were able to lend more money, it would be a boon to economic growth as small businesses and homeowners would have more access to capital. Supporters of the act claim that these requirements and regulations add stability to the industry and limit some of the risky behavior that could jeopardize the health of the economy from these Too-Big-To-Fail institutions by mandating they have enough liquidity in times of economic stress.

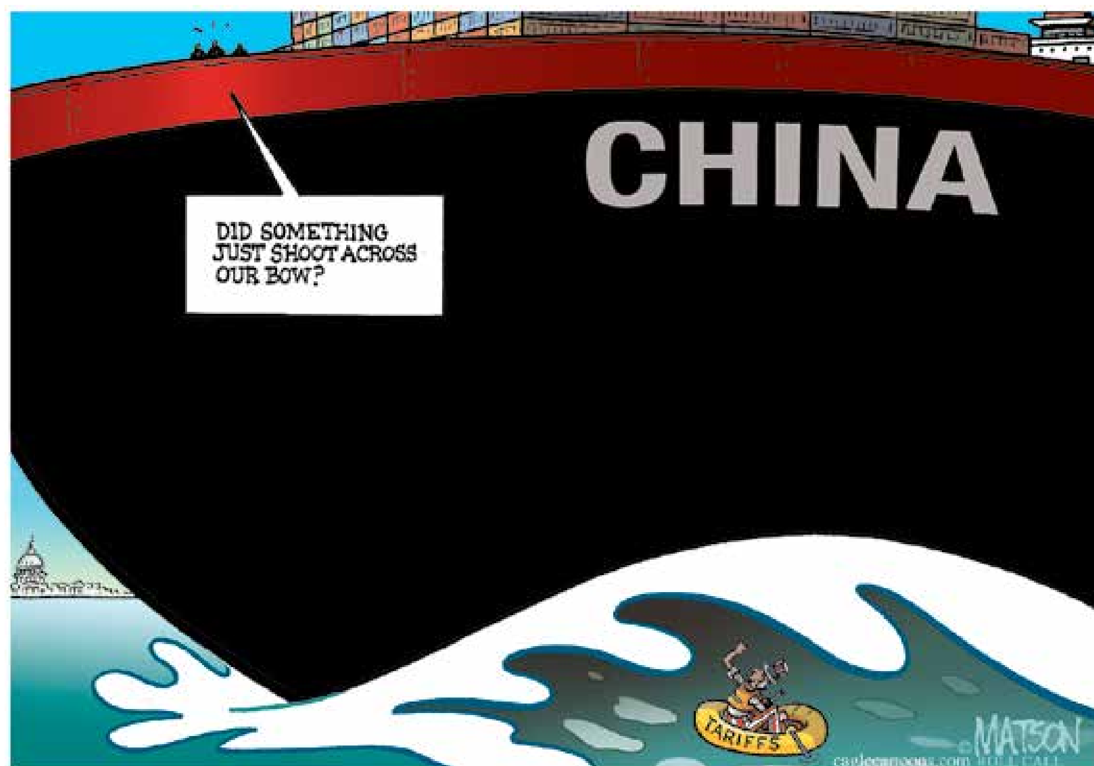
In a recent rare moment of bipartisanship, several Democrats joined all Senate Republicans on a bill to relax some of the regulations on community banks and credit unions.

In a recent rare moment of bipartisanship, several Democrats joined all Senate Republicans on a bill to relax some of the regulations on community banks and credit unions. The theory behind the legislation is that these institutions aren't too big to fail and should be allowed to increase lending as they are not likely to pose undue systematic risk to the global financial system. The bill would raise the SIFI (Systemically Important Financial Institution) threshold from $50 billion to $250 billion, the status that subjects them to stricter Federal Reserve supervision. Opponents of the bill say this increase goes too far because this would also include large corporations like American Express, Ally Financial (formerly known as GMAC), and Bank of New York Mellon, not simply just regional banks and credit unions.

Financials have been one of our focus sectors for quite some time. In a rising interest rate environment, overall conditions for the sector are already set to improve. On the tailwind of the tax legislation, a repeal of regulations could further bolster stock performance for the sector. If banks can lend more cash at higher rates, we could really see a pick-up in corporate earnings and stock performance. Besides general financial services ETFs, we also like KRE, the SPDR S&P Regional Banking ETF. This fund focuses on the companies expected to reap most of the benefits if this repeal passes. As the Federal Reserve is set to continue to raise short-term interest rates, we can expect the financial industry to further prosper.

Trade Wars Have You Tariff-ied?

Much of President Trump's messaging on the campaign trail had to do with America being treated unfairly by our trading partners. He would consistently lament the unfairness of NAFTA (North American Free Trade Agreement), the "bad deal" of the TPP (Trans-Pacific Partnership) and our ballooning trade deficit with China. This was all much to the chagrin of traditional Republicans, who consider free trade a major tenet of their economic and political philosophy. The renegotiations over NAFTA have yet to yield an outcome but Trump has been able to unilaterally influence the country's trading and political relationship with many key allies and strategic partners. In March, the Trump administration announced forthcoming tariffs on steel and aluminum at rates of 25% and 10%, respectively. The announcement shocked the markets and sent the indices lower, greatly impacting downstream manufacturers who use steel and aluminum in production. Trump claimed that the tariffs were necessary for national security, but the proposed tariffs negatively affect mostly our closest allies. Trump has already acquiesced on applying the proposed tariffs to Canada and Mexico, blunting the impacts on the markets as our closest trading partners will go relatively unaffected. While the case for steel and aluminum tariffs is flimsy at best, Trump also influenced the markets and international relations by executive order in March when he blocked Broadcom from pursuing its hostile takeover of Qualcomm. The $117 billion deal was concerning to the Committee on Foreign Investment in the U.S. and the proposed largest technology deal in history was deemed against the security interests of the United States. Broadcom's ties to China-based Huawei, the world's third-largest maker of smartphones and telecommunications equipment, not only brought up questions of anti-competitiveness but also concerns about close ties with the Chinese government. This was the second time in his presidency that Trump used this power, the first being Lattice's attempted sale to a Chinese-backed investor. Chinese corporations and investors are anxious to buy a little slice of the American economy but worries about China's dominance has the United States apprehensive, especially in the technology sector. The White House proposed a round of tariffs, focusing on imports from China, which could amount to up to $60 billion a year. These proposed tariffs would have a 25% levy on aerospace and communication technology products, a focus in recent trade battles. China reciprocated by proposing tariffs on a list of over 120 products, including soybeans, cigarettes and cars, which are major export products of the U.S. This again raises the point that investing requires strategy and long-term goals. If you're reacting and trading based on fears, you're losing sight of not only the factors driving the market over the long term, but also on your long-term goals. Consider the situation in North Korea. News about the nuclear power drove news cycles but have not influenced the market lately. For the first time during his rule, Kim Jong Un left the country to meet President Xi of China. This illustrates the leverage China has on the global stage and in the scheduled summit between the U.S. and North Korea. The economic isolation created by sanctions has been a useful tool to bring the despot to the table.



This again raises the point that investing requires strategy and long-term goals. If you're reacting and trading based on fears, you're losing sight of not only the factors driving the market over the long term, but also on your long-term goals.

China continues to open its markets further. There was a pledge to ease access for American businesses to enter Chinese markets and to treat foreign and domestic firms equally. China is gearing its economic and trading policies towards growth. We have exposure to China through KWEB, an ETF focusing on Chinese internet-based companies and Alibaba (BABA), a tech conglomerate focusing on online retail and wholesale trade. We expect China to continue to do well, especially if cooler heads prevail.

Fed: Up With the Rates

The beginning of February marked the end of Janet Yellen's tenure as Chairperson of the Federal Reserve and the beginning of Jerome Powell's lead. The nomination and subsequent confirmation of the new Chairperson did little to rattle the markets as Powell was seen to largely hold a similar outlook on the economy as his predecessor, with little expectation to deviate from the already-outlined path set forth for interest rates by the central bank. As the economy continues to improve and unemployment remains the lowest it has been since 2000 (4.1%) the Fed continued its stated objective to raise the Federal Funds Rate three times in 2018.

The Federal Open Market Committee (FOMC) voted unanimously in March to raise short-term borrowing costs to 1.75%, the highest rate in a decade. The FOMC also announced an improving economic outlook for 2019 and 2020, with members projecting a median federal funds rate of 2.9% to be merited by the end of 2019. Without headwinds to hold them back from their current course, we should expect to see more rate hikes next year, and beyond. Almost half the members of the FOMC are even in favor of adding an additional rate hike this year, bringing the total to four for 2018. Although the economic data justifying the gradual increase in rates are positive, the technical flattening of the yield curve has some folks concerned.

The most important event in any market this quarter has been the falling spread between 10-year Treasuries and 2-year T-Bills. The spread between the two issues fell to a low of 0.49% in the last quarter. The 10-year yield fell as concerns over tariffs, mixed economic data and a volatile stock market had investors seeking the security of bonds. The 2-year yield continued to rise, as it is more directly correlated to the rising rates set by the Fed.

When new lows are created they need to be watched carefully to see if this is a sustainable trend, or just market noise. What the drop at the long end of the yield curve tells us is that the bond market is becoming concerned whether past and future Fed rate hikes will be enough to hinder the economic expansion before it becomes overheated. A flattening yield curve driven by the decline in longer-dated bond yields is a caution sign that the bond market is becoming worried about future growth and inflation. The key is to know whether these moves are transitory, or if the market is pricing in a more structural slowing of the economy. Currently the markets are stuck in neutral with no clear direction and this is why we are witnessing the rise in volatility with some wide swings in stock prices.

We've seen interest rate hikes despite stubbornly-low wage growth and inflation that's been below the Fed's target for most of the last five years. Savers will obviously welcome the opportunity to earn more, as new issues of corporate and municipal debt will yield more as bond prices fall and interest payments rise. As previously issued bonds mature, you can replenish them with higher-yielding debt to improve cash flow. However, the rising costs of financing debt will be something to pay attention to in the years to come. If you hold debt with an interest rate tied to the Fed Funds rate, your payments could start to increase. Let us know if you have an adjustable rate mortgage or Home Equity Line of Credit (HELOC) that would serve you, and your monthly cash flow, better if you were to lock in a fixed rate now. There's a balance between your income, expenses and desired lifestyle that all factor in to your financing decisions. It's important that we're aware of your income needs to appropriately position your portfolio in this changing market environment.

What is the Value?

Do you have a vision for your business but are unsure of the path to reach your goal? Most business owners feel that there are constantly obstacles that get in the way. Have you considered how you would overcome the feeling of being blindsided by the unexpected? Regardless of where you are in your business, there is a distinct difference between working on the business versus working in the business. What business owners sometimes fail to realize is that strategic planning and execution is critical to sustainable success. Understanding your own vision and being able to communicate that to your executive team and staff is paramount for business growth and sustainability. As you look at the future of your business, ask yourself these questions to gain perspective:

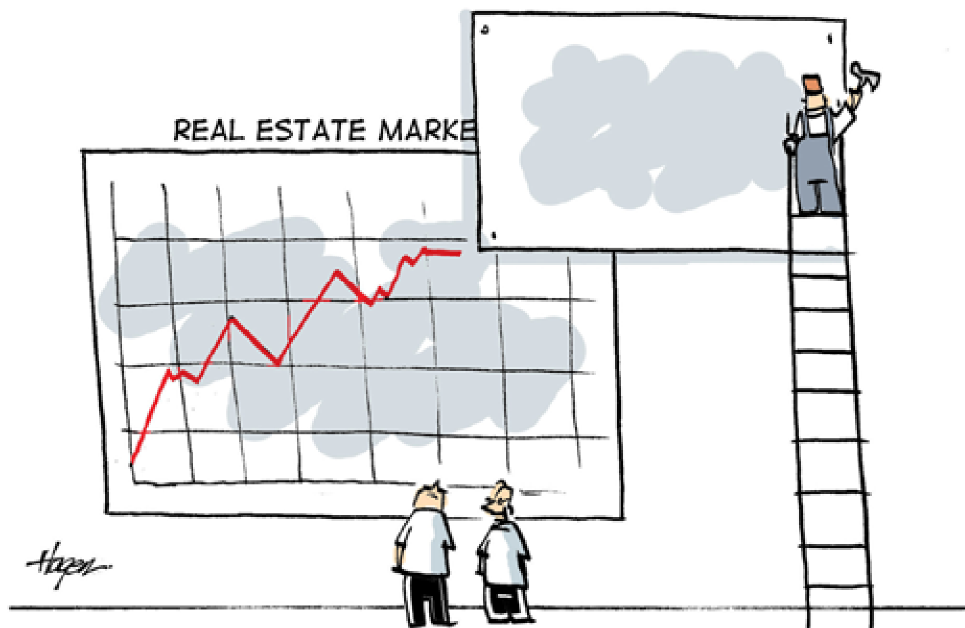
- **Does your vision align with your leadership team and inactive and active family member employees?**
- **Do you have the excess capital and resources that growth requires to support next generation leaders and owners?**
- **Do you have leadership bench strength and are you and your successor(s) confident in their ability to lead the business?**
- **Are there any relationship conflicts that could impact business operations today or in the future?**
- **Are you financially independent from the business? Will all business credit guarantee and working capital loans be reconciled prior to your transition out of management?**

Continued on page 5

All the Pretty Houses

As the Federal Reserve keeps its eyes glued to the various metrics of inflation, it's no secret that one asset class has had no trouble with increasingly elevated price levels: Real Estate. In January, the National Association of Realtors' data showed that the median price of a previously owned home was 41% higher than it was just 5 years ago. This absolutely dwarfs the 12.6% average advance in average hourly earnings for the same time period. 2017 ended with new home sales at a decade-high rate of 643,000 for the month but to start 2018 that number fell to 593,000 in the month of January. That's 7.8% lower than the prior month and 1% lower from the same time last year. The National Association of Realtors' Existing Home Sales Report did show numbers a little stronger than expected. Total sales for the month were estimated at 5.54 million, higher than the expected 5.4.

One factor that keeps property values on its current trajectory is that the pent-up demand continues to exceed supply which continues to drive prices higher. The 1.41 million single family homes available for sale in February was the lowest February inventory on record. One positive aspect of the current real estate market is that the limited inventory and increased property values means many existing homeowners have built up plenty of equity in their homes. Today's homeowners have access to approximately $5.4 trillion in home equity, the highest on record and 10% higher than the pre-recession peak in 2005. With the increased equity in their homes, homeowners have built up their wealth and savings. This helps them feel good about where they are financially and how it can affect their lifestyle.



WE'RE QUITE CONFIDENT THIS LULL WON'T LAST LONG.

This accumulated equity is a catalyst for the biggest driver of the American economy: consumer spending. In 2017, homeowners spent over $152 billion on remodels and these renovations are expected to increase another 4.9% in 2018 according to the National Association of Home Builders. This helps drive spending at retail companies and we've taken advantage of this economic trend by taking positions in companies like Home Depot and, in turn, their suppliers like Masco. Consumers can also use their home equity to pay down debt with higher interest rates such as credit cards. By absorbing revolving debt into their lower-rate mortgages, consumers are able to restructure their balance sheets and lower their monthly payments.

In this rising interest rate environment, financing options have become relatively more expensive than they have been for the past several years. While still low by historic standards, higher borrowing rates can be a deterrent for potential buyers, especially those looking for their next investment property. There's an equilibrium between potential rents and the various costs associated with owning real estate as an investment. If you find a property to add to your investment portfolio, you should act now before rates continue to trend higher. We can help you determine which mortgage program will work best for you and then help you obtain that financing.

What is the Value? *Continued from page 4*

It is critical that the value of your business be generated by the organization overall and not depend on the performance of just one or two employees. A proper valuation of the worth of your business will examine and extrapolate from the present cash flow and earnings generated by it, as well as the volatility of those cash flows and earnings. Succession planning establishes plans to protect your business's ability to generate those future cash flows, and therefore it is an essential element to protecting the value of your business. The success of your business is dependent not only on future profits, but your ability to adapt to changes in the market, customer needs, technological change, and generational and cultural interests. A common practice for business owners is to extract dollars from the business to sustain a lifestyle. This is not a sustainable business model to foster growth. It is important to look at strategic planning to ensure you have all the appropriate resources in place to sustain success with or without key employees. Being prepared and building a foundation of success today will provide the opportunity for growth and continued success for future generations. If you are interested in an evaluation of where your business stands today versus where you want to see it go, we work with Business Succession Planners that have the experience to guide you and your management team. For more information please give us a call. Do not let the unexpected impact your life's work.

Superfund Your Superstar

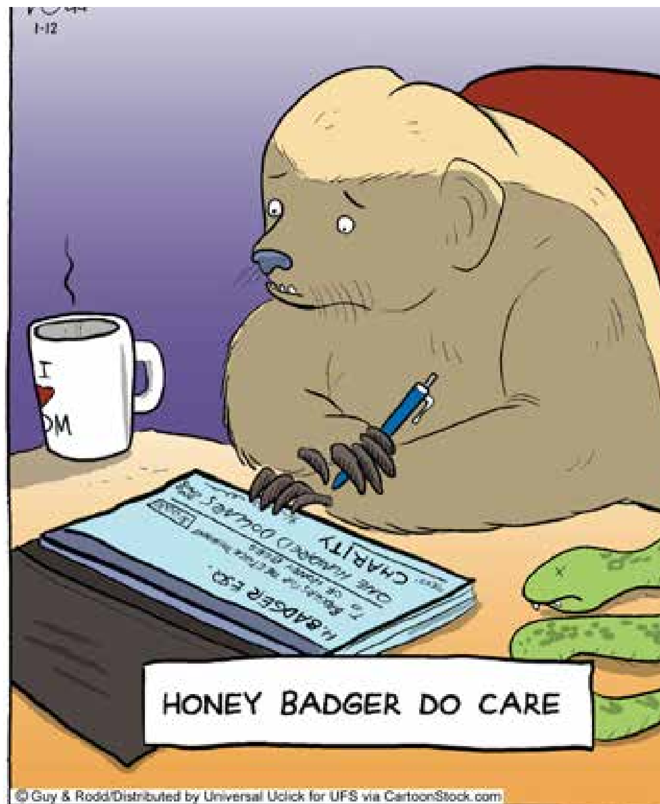
As we all know, a good education is essential, yet unfortunately, these days it's also quite expensive. One of the benefits to the new tax bill is the expansion of the expenses for which your 529 plan savings can be used. Historically, 529 plans have been only for higher education expenses such as tuition, books, room and board. Now you can use those savings for private and charter schools before college as well. While this may not expand the market of those utilizing these investment vehicles, it does incentivize savers to increase their planned savings to pay for more years of education.

Funds set aside in these education savings plans can be invested in the market and grow tax free. Without the drag of capital gains taxes weighing down performance, your savings can really grow to serve your loved ones in the future. The potential for tax-exempt or tax-deferred gains and the need to save for ever-increasing educational expenses means that investors really need to strategically plan for the future. The sooner you save for your children and grandchildren, the more your savings have time to grow. The more you save up front, the larger the potential compounded returns.

The good news is that the IRS allows you to superfund your 529 plans to put away more as soon as possible. While the regular annual gift limits of $15,000 apply, the IRS allows you to project that out for 5 years and contribute all at once. This means you can contribute up to $75,000 per child, and that's just per individual. Your spouse can contribute an additional $75,000. Anyone else can contribute to the 529 plan you establish for your child. If grandparents or other family members want to pitch-in for educational expenses they can do so up to the same annual (or super-annual) limits. A great key factor is that the account remains in your control. You can change the beneficiary in the future if the planned recipient doesn't use all the funds. You could even use the leftovers to take some classes yourself. Give us a call to go over planning for your child or grandchild's education and how you can grow your current assets for their future.

Gifting Gains

One of the challenges of managing portfolios is the tax repercussions of moving out of certain positions and sectors and realizing the capital gains accrued in taxable portfolios. It's a factor to consider when a stock no longer fits your investment strategy, yet you still have a sizable gain on the position. Do you expect it to fall enough to justify your tax bill in April after selling it? Is it going to recover? It's important to have a strategy in place to address your annual capital gains and income and how that fits into your overall tax situation. One strategy is to donate highly appreciated securities making it a part of your charitable giving. If you're planning on donating to an organization, you should find out if stock donations are accepted. You can gift the same amount you were planning, but by giving it in the form of a stock you're avoiding paying the capital gains on those shares. The same applies to giving to your children and grandchildren. If you're planning on gifting funds for that new home or car, give them some shares instead. They can then sell the shares to raise the cash and pay the capital gains taxes at their lower tax rate. The higher your income tax bracket, the less benefit you have of liquidating positions to raise cash after factoring in your tax liability. This strategy can stretch the impact you're already making and how much you have to give in the future. Everyone has a cause that's near and dear to their heart. Let us know the next time you're looking to donate to your favorite charity or give a gift to a loved one. We can help you make the most of your donation by reducing your future tax burden with your present generosity.



© Guy & Rodd/Distributed by Universal Uclick for UFS via CartoonStock.com

Featured Clients:

Venables Bell & Partners and Venetia Valley School Foundation

Venables Bell & Partners is a San Francisco based advertising agency working with some of the most innovative and spirited brands in the world, including Audi, PlayStation, Reebok, Chipotle, 3M and Westin Hotels.

The agency's work has garnered top honors including the Titanium Grand Prix at the Cannes Lions International Festival of Creativity in 2016 for its REI #OptOutside effort, and a spot on 2017's Fast Company's Most Innovative Companies list. The agency's culture is everything to VB&P, and is built on core values of honesty, fearlessness and independence. Its independence allows VB&P to do things on its own terms, to partner with clients that it truly believes in, evolve and grow its disciplines and services in ways that deliver against its clients' changing needs. VB&P invests heavily in its employees, and pursues passion projects that aim to make a positive impact on the local Bay Area community.

One such passion project is VB&P's recent work with Venetia Valley K-8 School. The school's Principal Juan Rodriguez and his staff were familiar with VB&P's involvement in creating and leading the successful SchoolsRule program in Marin County, and invited Paul Venables and his team to visit the school last year. That first meeting was awe-inspiring to the VB&P team as they witnessed first-hand Venetia Valley's tenacious pursuit to enable its community of underprivileged children overcome stereotypes and related obstacles and achieve their dreams - regardless of the students' race, native language or socioeconomic status.

Beyond its noble mission, VB&P was impressed by the school's out of the box thinking and unique approach in leveraging the pre-existing structure of the public education system to achieve its goals. Venetia Valley's "I Can" philosophy aims to provide individualized focus on each student's own definition of success, and couples this with carefully selected staff members willing to go the extra mile with their guidance and mentorship of each student. The school also offers a Family Center where family and community members are invited to join in aspects of each student's education.

Venetia Valley has proved to be a shining example of what's possible to radically improve a suffering public school system, and VB&P harnessed its "I Can" philosophy and approach when creating the 10-step program entitled How to Completely Transform a Public School, and a website - icanvv.org. The public can learn more about Venetia Valley's unique approach, download adjoining materials such as flash cards, and donate to support the school's efforts.

For more information on Venetia Valley and to donate - icanvv.org

For more information on Venables Bell & Partners – venablesbell.com

We encourage you to visit their website to learn more about the school and how their philosophy is lifting our neighbors towards successful futures. Karp Capital Management is proud to support the foundation and provide support to those who wish to donate as well. We've opened an account for this amazing foundation to accept gifts of highly-appreciated securities from their donors. Please call our office if you'd like to support the school and we can help you make a gift to help lift our neighbors and our community.

Venetia Valley has proved to be a shining example of what's possible to radically improve a suffering public school system, and VB&P harnessed its "I Can" philosophy and approach when creating the 10-step program entitled How to Completely Transform a Public School, and a website - icanvv.org. The public can learn more about Venetia Valley's unique approach, download adjoining materials such as flash cards, and donate to support the school's efforts.

Market Performance

The S&P 500 closed March with the worst performance for the month since 2001. Q1 results are expected to show the strongest revenue and earnings growth in over seven years though. While stocks were the worst-performing asset class in March, they finished Q1 in the middle of the pack, beating both long-term Treasuries (-3.2%) and investment grade corporate bonds (-2.2%) but lagging Cash (+0.4%), Gold (+2.5%), WTI oil (+5.3%) and the US Dollar (USD) index (-0.7%). Real Estate and Utilities had the best total returns in March (+3.8% each), while Financials (-4.3%) and Materials (-4.2%) lagged most. Tech led in Q1 (+3.5%), followed by Discretionary (+3.1%) and Financials (-1.0%), while Telecom (-7.5%) and Staples (-7.1%) lagged most. The increase in volatility in the stock market over the last six weeks of the quarter may have shaken consumer confidence a little, but overall the strong economy is driving record results.

Here are the performance numbers for the major indices as of 3/31/2018: (Price Return)

	March 2018	Latest 3 Months	Latest 6 Months	2017 % Change
Dow Jones Industrials	-3.70%	-2.49%	7.58%	25.08%
Standard & Poor's 500	-2.69%	-1.22%	4.82%	19.42%
NASDAQ- Composite	-2.88%	2.32%	8.74%	28.24%
Russell 2000*	1.12%	-0.40%	8.74%	13.14%
MSCI EAFE*	-2.24%	-2.20%	1.61%	21.78%
Long Term Treasury Bonds	3.01%	-2.20%	-0.99%	8.57%
Gold	0.46%	2.54%	3.18%	12.66%

Sources: Thomson Reuters; WSJ Market Data Group, Dow Jones & Co., BTN Research, BofA ML, Ned Davis Research, J.P. Morgan. Stock market indices do not include reinvested dividends.

All of us at Karp Capital Management thank you for your continued support. It is a privilege to help you, your family and friends reach financial goals. Please remember that we appreciate your support and we're flattered when you refer your family and friends. If you know someone that would enjoy our commentary on the market, please share the newsletter with them. If they would like to receive our quarterly commentary please direct them to sign up for the email edition at karpcapital.com.

If you have any questions on the preceding analysis, or would like to review your portfolio's performance, please call us at 877-900-KARP. At Karp Capital, we care about your financial world and how it is positioned in the global economy.

Peter C. Karp

Karp Capital Management Corporation

Mailing Address: 2269 Chestnut Street, #308
San Francisco, CA 94123

Office Address: 221 Caledonia Street
Sausalito, CA 94965

Tel: 415 345 8185

Fax: 415 869 2832

Email: peter@karpcapital.com

Connect with us on LinkedIn, Facebook, and Brightscope.

If you no longer wish to receive the Karp Capital Management Financial Focus newsletter, please contact us to be removed from our mailing list.

The posted information is for informational purposes only. Karp Capital Management does not offer tax advice, please consult with your CPA or tax professional. Although information in this document has been obtained from sources believed to be reliable, we do not guarantee its accuracy, completeness or fairness, and it should not be relied upon as such. All opinions and estimates herein, including forecast returns, reflect our judgment on the date of this report and are subject to change without notice. Such options and estimates, including forecast returns, involve a number of assumptions that may not prove valid. Further, investments in international markets can be affected by a host of factors, including political or social conditions, diplomatic relations, limitations or removal of funds or assets, or imposition of (or change in) exchange control or tax regulation in such markets. The past performance of securities or other investments does not necessarily indicate or predict future performance, and the value of investments. This document may not be reproduced without our written consent. Securities offered through Infinity Financial Services, member FINRA/SIPC. Karp Capital Management is not an affiliate of Infinity Financial Services.