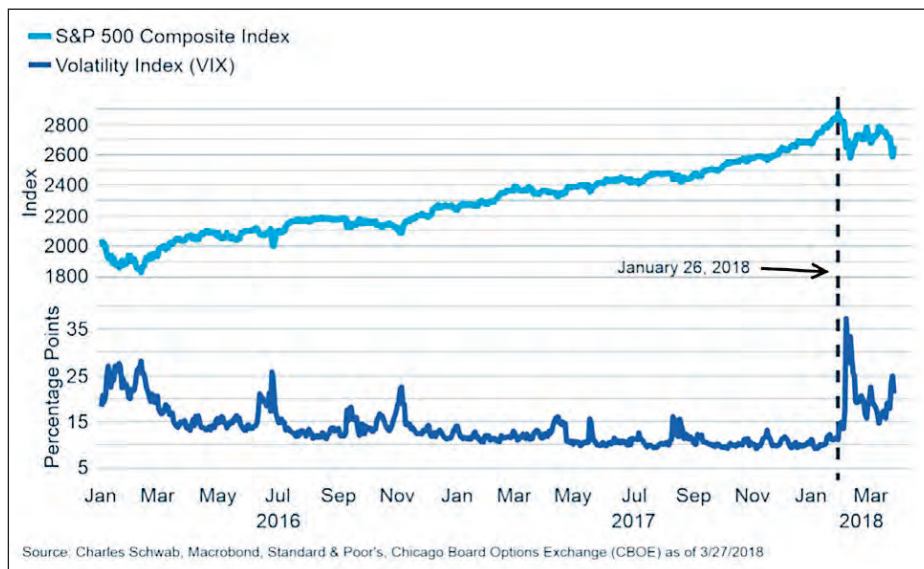




CURBSTONE FINANCIAL MANAGEMENT CORPORATION

From the Curb Letter to Clients Quarter Ending March 31, 2018

A picture is worth a thousand words, but in this case may not be required to suggest that the slow-paced upside market volatility of the past year or more has dramatically reversed in the early months of 2018. Markets rallied in January, only to fall in the subsequent two months, all coincident with a sharp rise in market volatility, as pictured below.



Any number of issues have led to this increase in market volatility. By historical standards, the nine year bull market in stocks has some suggesting an aging bull. Now that the initial reaction to tax reform has passed, concerns have shifted to more current concerns: an uptick in inflation; the Federal Reserve's prediction of higher interest rates; continuous turmoil in Washington; and the possibility of a trade war choking off economic activity.

None of the above have mitigated the positives: low unemployment; buoyant consumer confidence; the rise of Leading Economic Indicators again in March; the possibility that the rattling of trade war swords may merely be a method of negotiation; the probability of an economic tailwind later this year, as a result of the recent tax cut legislation.

These conflicting elements foster uncertainty, and the markets are traditionally unsettled during such periods. The coming earnings season will be important, as investors will focus on the underlying fundamentals as a measure of a company's strength and the

economy's resilience in an attempt to discern fair value and ultimately, the direction of markets. We believe that solid revenue growth coupled with an increase in earnings will support current valuation levels and confirm the strength of global demand.

In this environment, we do well to actively monitor both the asset allocation and securities selection within each individual risk profile. As long-term investors, we do not react to short-term volatility; although we do take the opportunity to reassess our positions while looking for potential new additions. We also favor slightly higher liquidity positions that can cover cash needs and create some flexibility for purchases. While we remain bullish on stocks over the long-term, we are cautious in the near-term.

An administrative note: Many of our clients authorize us to initiate payments in their behalf. In addition to monthly income disbursements, we are often authorized to make estimated tax payments or, in some cases, payments to third parties. When we have such authorization, we are now deemed by the SEC (Securities & Exchange Commission) to have "custody" of the account...even though Curbstone does not physically hold a single dollar of client funds. Under new SEC rules now effective, your custodian, Charles Schwab, will be notifying clients each and every time such a disbursement is made from your account. This is an additional protection for you that we fully support...full disclosure is an important part of our corporate mantra. But, we don't want you to be surprised by this new requirement, and invite you to call us with any questions that may develop.

Also, you recently received a letter from us detailing certain frauds and scams that our clients and friends have experienced. Well, here is yet another: some investors are receiving calls from "senior members of the SEC", verifying the purchase of certain securities by their advisers. This is yet another scam designed to separate investors from their money. Please rest assured: the SEC will NEVER call you to confirm or verify the purchase of any securities in your account! The SEC does not contact investors to confirm trades, set up trading accounts, or record the details of trades. Any correspondence you receive purportedly from the SEC confirming a specific securities transaction is a red flag of fraud. Do not hesitate to call us to report any fraudulent activity.

We live in interesting times. We appreciate the opportunity to serve as your adviser, and will continue to work on your behalf to protect your interests.