



WELCOME ABOARD!

## FINANCIAL ADVISOR DEVORE JOINS GROWING TEAM

We are excited to announce our newest financial advisor, Laura DeVore, an industry veteran who previously was with Fidelity Investments for more than a decade, most recently as a vice president.

She will play an integral role at Apriem Advisors, working with clients and lending her substantial expertise.

"We are thrilled to have such an accomplished advisor join the expanding Apriem family," said President Rhonda Ducote. "Laura complements our expanding team of talented and dedicated professionals as we continue valuable programs such as Women of Wisdom."



### APRIEM CARES

## STAFF PAYS IT FORWARD WITH NONPROFIT SUPPORT



From bowling for dollars and a gala to making "Payday Pails" and a duck, the Apriem team has had a very busy past few months.

First, we volunteered by stuffing Payday Pails to support VetNet, a program that provides career training services for veterans through the **Working Wardrobes** Career Services Network.

Our team filled pails with toiletries, gift cards, mints and other items to be wrapped and delivered. It is the least we can do for the heroes who served our country. (See photo above.)

We also had a strong showing at the **Big Brothers Big Sisters of Orange County and Inland Empire** Bowl for Kids Sake tournament and turned out the best fundraising team.

In March, Apriem attended the **Anaheim Ducks Players, Lady Ducks** and **Children's Hospital of Orange County** fashion show with proceeds supporting the CHOC Children's Center.

Most recently, we sponsored the annual **Jessie Rees Foundation** Gala to support children who are fighting cancer and help them "Never Ever Give Up."

## MARKET UPDATE

# INTEREST RATES, TARIFFS DICTATE PORTFOLIO MOVES

ALAN AHMATOVIC, *Portfolio Administrator*



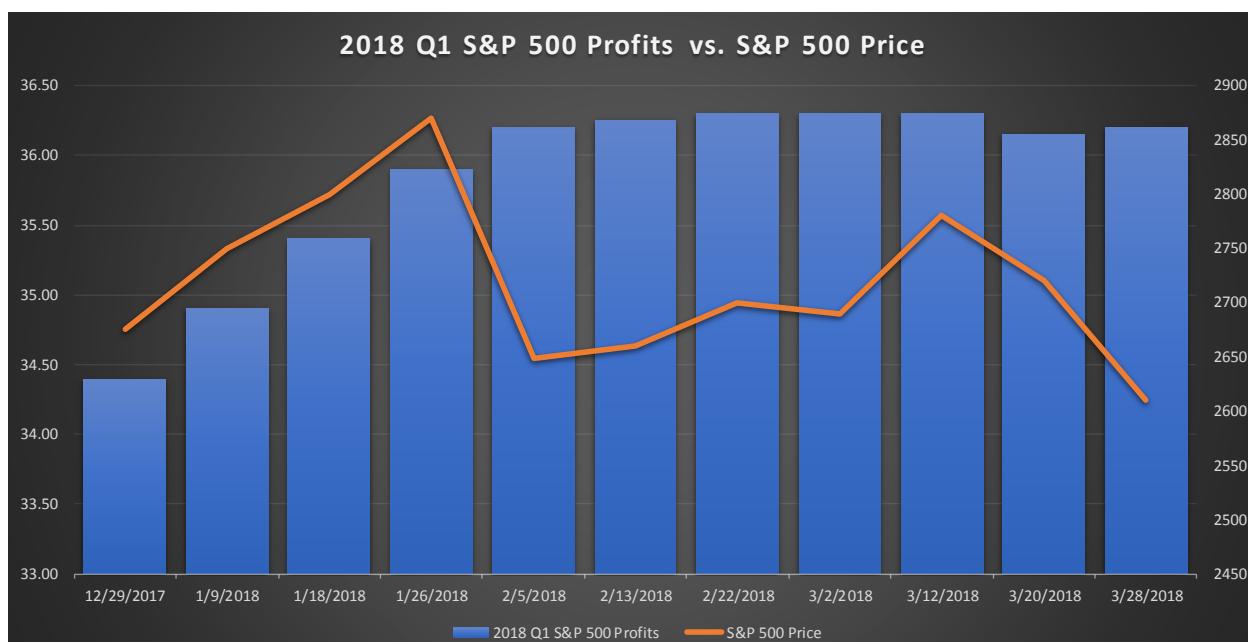
In addition to all the “headline risk” and strong corporate earnings, there are two more factors that Apriem sees playing a significant role in the global economy and equity markets.

First, the U.S. Federal Reserve is currently on a path of raising interest rates, after it hiked rates again in March, marking the sixth time it has done so since December 2015. The higher interest rate environment has functioned as a dual-edged sword during this market cycle, as bond prices have fallen – due to bonds’ pricing mechanism, prices fall when interest rates rise – equity investors have succumbed to fears of higher interest rates sparking a recession. But, with no clear signs of a recession in sight, the effect of higher rates on equity market fundamentals should remain modest. Fueled by higher interest rates, certain sectors – including value and dividend-paying stocks, which are seen as bond proxies – have underperformed the broader market. Combined with the market’s recent pullback, many investments with significant exposure to these interest rate-sensitive sectors have breached their long-term trading trend. One such investment, held by Apriem in various income and growth strategies is the Schwab US Large Cap Value ETF (SCHV). For these reasons, Apriem has sold its full position in SCHV for all client portfolios.

The second factor is the possibility of a trade war between the U.S. and China. What started as President Trump’s rhetoric has blossomed into a matter of economic substance. After a series of tariffs were proposed on each country’s respective imports to one another, the U.S. and China remain in a stalemate over trade negotiations. While none of the current tariffs pose a significant cost to any major industry, the tension and risk of further retaliations have weakened the market. Being the two largest economies in the world, a trade war would hold implications for markets around the globe. Despite these risks, Apriem remains positive on international and emerging markets, due to the positive economic growth inherent in these regions.

This issue has certainly contributed to the rise in equity market volatility, but it has created some valuable investment opportunities. Most notably, smaller domestic U.S. companies have outperformed recently, as they have less exposure to these trade issues relative to their larger counterparts. Considering the tailwind from the recent U.S. corporate tax cuts, which will benefit smaller companies more than larger ones, Apriem expects this portion of the market to continue performing well. Based on these characteristics, Apriem has increased its allocation to smaller U.S. companies via the Schwab U.S. Small Cap ETF (SCHA) for all client portfolios in Apriem’s growth and total return investment strategies.

In what has been a hectic quarter for investors, Apriem remains optimistic on global equity markets. Despite the recent selloff, Apriem will maintain its full allocation to the U.S. and international equity markets, taking the pullback as an opportunity to make further investments. In addition to the portfolio changes mentioned above, Apriem increased its allocation to commodities and floating rate bonds in all growth and total return investment strategies, due to the expectations for rising inflation and interest rates throughout the global economy.



## SCHOOL SAVINGS STRATEGIES

# HOW TO PAY FOR EDUCATION: THE \$1.5 TRILLION QUESTION

WILLIAM PUGH, CFP®

Vice President, Wealth Management



Education costs continue to rise year after year from kindergarten through higher education. By 2035, many estimate that a four-year college education will cost close to \$200,000 for public institutions and more than \$400,000 for private universities. As these costs soar, so do student loans, which already total more than \$1.5 trillion nationwide.

With these rising costs in mind, planning ahead and saving for education has become a top financial priority for many families. On top of that, the Tax Cuts and Jobs Act effectively made 529 funds, the school savings vehicle of choice for most families due to its tax advantages, even more attractive.

While 529 funds, also known as “qualified savings plans,” have the same contribution rules as before the Tax Cuts and Jobs Act, the new policy allows people to front load their plans by contributing up to five years of funding up front.

Changes are centered around the use of the funds. Prior to the Tax Cuts and Jobs Act, 529 funds could only be used to pay for qualified expenses coming from college education costs, leaving K-12 costs relegated to education savings accounts (ESA), which were previously only available to households making less than \$110,000 for single filers and \$220,000 for joint filers. ESA contributions were capped at \$2,000 per year. Now, the new legislation allows for 529 funds to be used for K-12 education costs up to \$10,000, enabling families to use their education savings for whatever level of schooling they desire.

California residents do not receive state income tax deductions to offset this; however, other states may have income tax deductions or credits available. Earnings are not taxed as long as distributions are made for qualified expenses.

Education will continue to be one of the largest expenses facing American families in the coming years. Work with your wealth manager to find the right education savings strategy for your family.

## FIDUCIARY STUDIES

# APRIEM SCORES PERFECT PASSING RATE ON AIF EXAM

We are pleased to announce that the following Apriem team members have passed the accredited investment fiduciary exam and will be receiving their AIF designation (clockwise from top-left): Harmon Kong, CFP®, chief wealth manager and founding principal; Rhonda Ducote, president; Christopher Whitaker, CFP®, financial planner; and Shawn Covarrubias, vice president, operations.

The AIF® designation is issued by the **Center for Fiduciary Studies**. To earn the designation, each candidate must complete either a web-based or capstone program, pass a final certification exam, meet certain experience requirements and complete a minimum of six hours of annual continuing education. AIF designees must also sign and agree to abide by a code of ethics.





## NEWSROOM

# APRIEM IN THE NEWS

### SPOTLIGHT ON THE STREET

**Target, Amazon and Tax Rates, January 3, 2018**  
 Chief Investment Officer, Benjamin Lau sees advantages for Target with tax policies and the likelihood of being acquired by Amazon.

### Starbucks to Saturate China, January 5, 2018

Seattle-based coffee king Starbucks looks to lift margins in China with a saturation of stores, new innovative drinks and high-end products, according to Benjamin Lau in his second article with The Street to kick off the year.

### RETIRE AHEAD

**Annuities Can Still Be Attractive, January 2018**  
 Apriem's Chris Whitaker, CFP, spoke to national newspaper chain TRONC for its special Retire Ahead section. In the article, he reviews the pros of annuities investing.



### ORANGE COUNTY BUSINESS JOURNAL

**Excellence in Entrepreneurship, February 12, 2018**  
 Apriem's co-founder Harmon Kong, CFP, was nominated for the *Orange County Business Journal's* "Excellence in Entrepreneurship" Award. The nomination was featured in the paper, including many of the reasons why he stands out as an entrepreneur.

### U.S. NEWS & WORLD REPORT

#### A Deep Dive on Target, March 12, 2018

Benjamin Lau details the challenges facing Target as the retail giant faces an unusual crossroads in its growth story and the broader industry.

### FINANCIAL POISE

#### Keeping Calm, It's Just Volatility, March 20, 2018

In her latest column, "Taking Charge," Apriem President Rhonda Ducote urges investors not to overreact to the latest fluctuations in the stock market.

## Apriem's GIPS® Claim of Compliance is Verified

We strive to provide our clients with the highest degree of service while handling all facets of their finances, helping them reach the goal of financial security and freedom. This also includes our firm-wide commitment to honest, consistent, and ethical performance reporting practices. Each year, we work with a third party to stay informed of changes to the GIPS® standards, review our performance policies and procedures, as well as performance data for client accounts. On a monthly basis, we internally review performance data for client accounts. GIPS® standards are a globally accepted methodology for calculating and presenting investment firms' performance history that are widely relied upon by investment firms, their clients, and prospective clients for ensuring consistency of investment firm results.

- Apriem Advisors ("Apriem") is a registered investment adviser with the United States Securities and Exchange Commission in accordance with the Investment Advisers Act of 1940.
- Apriem claims compliance with the Global Investment Performance Standards (GIPS®). The firm's compliant presentation and/or the firm's list of composite descriptions are available upon request.
- Apriem has been independently verified for the periods December 31, 2010 through December 31, 2017. The verification reports are available upon request.
- Please send requests to Harmon Kong at [harmon@apriem.com](mailto:harmon@apriem.com) or send us a mail at 19200 Von Karman Ave., Ste. 1050, Irvine, CA 92612.
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