



"Smart Decisions About Serious Money"

MEET OUR TEAM

Thomas Twombly
President

Mark Ward, CFP®, ChFC®
*VP, Operations and
Chairman, IPC*

**Bleckley Dobbs, CFP®,
RICP®**
Director of Financial Planning

Cass Grange
Sr. Advisor Associate

Megan Poore
Sr. Advisor Associate

Chris Vasquez
Advisor Associate

CONTACT US

4005 Guadalupe
Austin, Texas 78751

Phone: 512-458-2517
Fax: 512-458-3120

www.lsggroup.com

A MESSAGE FROM THE
PRESIDENT

Thomas G. Twombly



For more than a century after Charles Darwin first introduced his theory of evolution, most scientists following in his footsteps mistakenly believed that evolution had always been a slow, steady process that occurred at the same barely noticeable pace over hundreds of millions of years.

Then, in the early 1970s, two paleontologists named Steven Jay Gould and Niles Eldredge introduced a new theory that turned that long-held understanding on its ear. Based on their study of the fossil record, Gould and Eldredge observed that species had indeed gone through extended periods of gradual change. But they also discovered something shocking - that periodically those periods of relative stasis had been interrupted by swift, explosive bouts of change. Afterwards, the transformed species returned to another long stretch of relative stability - until eventually undergoing yet another violent eruption of change. They named their new theory "punctuated equilibrium." In my experience, it applies to a lot more than the evolution of species.

Disruption, transition and sudden change impact everyone. It's part of life. We may not like it, but we should expect it. None of us is immune. The equilibrium we all get used to, even strive for, in our personal and professional lives suddenly disappears, and we're thrown into a disconcerting period of

turmoil and forced transformation. (One of our dear friends calls these "AFOGs" - *Another Freaking Opportunity for Growth*.) I'm sure you can point to examples in your past - perhaps even in your present. We're seeing it happen right now on a global scale. It's effecting entire countries, industries and businesses. It's happening in society, in politics, in technology and in the environment. Even if you're adaptable and prepared it can be breathtaking. For people who aren't, it can quickly morph into fear, anger and panic. It's why we focus so much attention on preparation.

Transformational change requires new perspective. How you train yourself to think and respond makes all the difference in how well you adapt to rapidly changing environments. Being open to different points of view is an advantage. President John F. Kennedy once pointed out in a speech that the written Chinese symbol for what English-speaking people call a "crisis" is comprised of two different symbols - one representing "danger", the other "opportunity." When I first heard this, I was struck by what a shift it provoked in my thought process. Since then, every event or situation I had previously perceived as negative suddenly took on new possibilities. If instead we could discipline ourselves to remain calm and train ourselves to look for the opportunity, perhaps a "crisis" could be a positive force.

Surrounding yourself with the right allies is crucial. Teams of people who are trustworthy, flexible, open-minded and capable of recognizing and tapping into each other's unique talents and strengths are invaluable. If they have a history of honestly confronting their own personal challenges, it's better still. They offer important perspective, resources

and expertise. More importantly, they help generate courage. It's these qualities that define this team. They're a big part of our value to others.

Lucien, Stirling & Gray has been undergoing one of those "punctuated" periods ourselves lately. Some changes we've implemented purposefully. Others have come upon us without warning. The experience has been a poignant reminder of what it feels like to our clients when they're facing sudden transitions and difficult decisions. It helps us be better advisors – and more empathetic responders.

Just to give you a taste, not quite two years ago we decided to close a brokerage business that we had run side-by-side with our Investment Advisory business since 1992. We wanted to focus our full attention on what we're most passionate about – providing fiduciary advice, strategic financial planning and behavioral investment counselling to a limited number of ideal client households. It's the best decision we've ever made. But seeing it through wasn't easy. It took courage to part ways with hundreds of relationships we'd maintained for years, and plenty of hard work and special care to do it the right way. That change also resulted in the unexpected retirement of our long-time Chief Compliance Officer and Operations Manager, and then the departure of an employee he had been responsible for supervising. Along the way, Glenda Summers announced that she would retire at the end of this past May, after serving as an integral part of this team for its entire 27-year existence. If that weren't enough challenge, our landlord passed away suddenly, and we learned this spring that our lease will not be renewed at the end of this coming October. Change happens – sometimes breathtakingly fast.

In response, this team has stepped up. They came together to meet the challenge, and then some. Mark Ward stepped in to help oversee Operations. He has supervised a successful reorganization of staff responsibilities, along with the launch of a new secure client portal and video-conferencing capabilities. Shelby Holt joined us this January. She has done a magnificent job in streamlining internal workflows and administrative systems. Chris Vasquez proved pivotal in assisting Glenda with her transition. After five years' experience on this team, he has seamlessly assumed responsibility for serving many of the clients who relied on her sage advice. We also hired Anthony Guzman, a talented new client-service associate and para-planner who will join us

at the end of July. Then we outsourced: we contracted with a major compliance consulting firm, and we hired leasing agents to look for new digs. I expect to announce very soon where we'll be officing come November 1st. Stay tuned.

Despite the challenges, our business has never been stronger. We're growing steadily as trusted clients and friends introduce us to new relationships. We're investing in new technology, bringing new talent on board, improving our operational efficiency and expanding our skills to better serve you, and we're looking forward to an exciting future.

As Charles Darwin once said: "it is not the strongest of the species that survives, or the fittest, but the one that is most adaptable to change." Please let us know what we can do to help you. We're ready.

Thank you, again, for your confidence and trust. We treasure it.

Thomas G. Twombly
President

INVESTMENT COMMENTARY

On the heels of a sharp sell-off during the final quarter of 2018, the first half of 2019 saw every major asset class generate impressive results. Treasury bonds rallied strongly, providing total returns of +5.2% for the first six months of the year as fixed income investors anticipated an easing of Federal Reserve policy in response to concerns about increasing tariffs, trade wars and slowing global growth. All other areas of the US fixed income markets followed suit, with the Barclay's Aggregate Bond index jumping by +6.1% and US High Yield bond markets rising by an impressive +9.9% for the first half of the year.

Equity markets of all stripes responded positively to that outlook as well. Emerging markets and developed market international stocks rose by +10.8% and +14.5% respectively, and U.S. equity markets behaved stronger still. Domestic small-cap, mid-cap, and large-cap indices rose by +17%, +21.3%, and +18.5% respectively during the first half of the year. Mid-cap growth stocks, with results of +26.1%, led a strong field where the growth sector of all three of those indices topped the +20% mark. It was a rewarding time to be invested, as even the worst performing sector of the U.S. equity markets – healthcare – generated results of +8.1% for the first half of the year. Our clients benefitted handsomely from remaining invested and broadly diversified throughout the turmoil of six months earlier.

Looking forward, however, uncertainty abounds. On one hand, the U.S. economy is fundamentally healthy, and there are many reasons to be positive. Unemployment is sitting at 3.6%, its lowest point in 50 years, and is far below the 6.2% average for that time frame. Wage growth is finally rising steadily, so Americans are benefitting from increased earnings. However, it too is still below its average over the last 50 years, so inflation prospects seem tame for the foreseeable future. Household debt service ratios are at their lowest point since Jimmy Carter was president, and household net worth is at an all-time high.

Countering that, there has been a major sea-change in international trade relations, particularly with respect to China, and there is a growing unease that we may be facing a complete reversal of the world we've known for the last 3 or 4 decades. Combined with an economic expansion that is now the longest in our history at 121 months, there are any number of voices issuing dire predictions about slowing global growth leading to an impending recession – and provoking knee-jerk behavior in response.

While we don't discount the possibility (or the eventuality) of a recession, we don't believe the prospect should be as fear-inducing as it seems to have become. First, it is by no means a certainty. Expansions, historically, do not die of old age, and it's entirely possible that the next recession – whenever it comes – could be mild and short-lived. Importantly, despite being the longest expansion in history, when measured in terms of real growth in Gross Domestic Product, which now stands at +24%, this has also been the most gradual expansion in history. Compared to significant past expansions, where total real GDP growth has been approximately twice what we've experienced during this expansion, very few imbalances have emerged. As one prominent economist put it recently, "there has been no boom from which to bust" and "it's hard to break your arm falling out of a basement window."

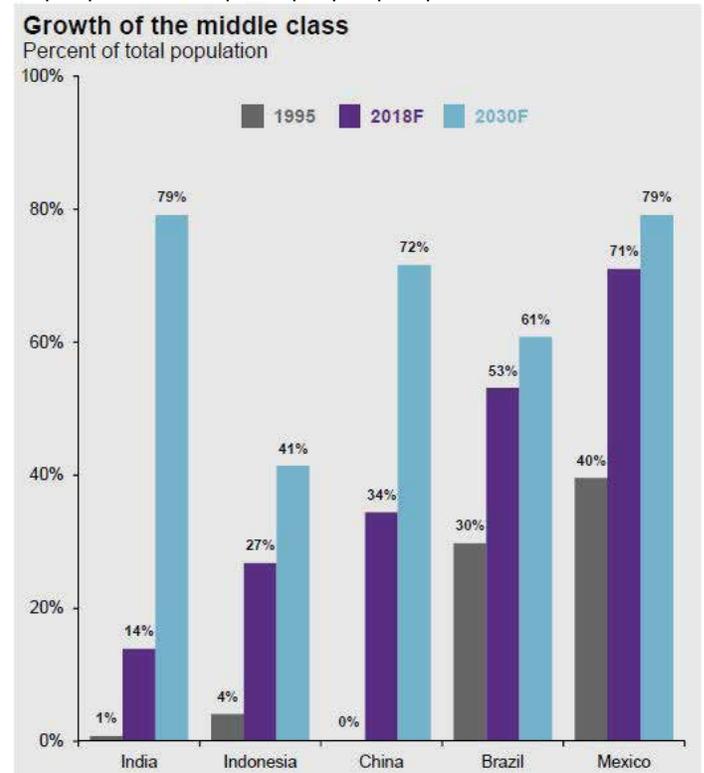
Nevertheless, with a very powerful first half of 2019 now behind us, and with that increasing sense of uncertainty in front of us, this is an especially important time to focus on preparing yourself, financially and attitudinally, for a wide range of possibilities and outcomes.

From an individual perspective, this would be a good time to sit down with one of us to review and discuss your personal financial plans if you haven't done so recently, and to talk through any questions, concerns or worries you might be feeling. This is especially true if you anticipate

substantive changes in your life, liquidity needs or cash-flow requirements in the near-term future.

From a longer-term investment perspective, it's important to remain broadly diversified among a wide range of asset classes, and to stay focused on the far horizon. As they teach in defensive driving, keep your eyes on the distant point at which the lines on either side of the road converge, and don't get distracted by the yellow dots screaming past outside your driver's-side window. That can be easier said than done in a fraught social and political environment, but we can help.

We are in the midst of massive change. Much will be different over the coming decades than has been the case in previous ones. There will surely be challenges to overcome, but there will just as surely be opportunities. Successful long-term investors know that it's important to remain resilient and not to get overly fixated on the former. For a closing thought, look at the following chart from JP Morgan Asset Management depicting the past, present, and future projected size of the rapidly developing middle class in some of the biggest emerging economies of the world. Then ask yourself: "as the American middle class expanded quickly during the past 60 years, what type of opportunities did that create?" We believe the coming decades will be rewarding to people who keep the proper perspective.



Source: <https://am.jpmorgan.com/us/en/asset-management/gim/adv/insights/guide-to-the-markets/viewer>



General Market Results

	1st Quarter	YTD	One Year	Three Year	Five Year	Ten Year
Barclays Agg Bond	3.08	6.11	7.87	2.31	2.95	3.90
S&P 500	4.30	18.54	10.42	14.19	10.71	14.70
DJI	3.21	15.40	12.20	16.80	12.29	15.03
S&P 400	3.05	17.97	1.36	10.90	8.02	14.64
Russell 2000	2.10	16.98	-3.31	12.30	7.06	13.45
NASDAQ	3.87	21.33	7.78	19.56	13.97	17.19
MSCI EAFE	3.68	14.03	1.08	9.11	2.25	6.90
MSCI EM	0.61	10.58	1.21	10.66	2.49	5.81

Lucien, Stirling & Gray Advisory Group, Inc. is a registered investment advisor. Information presented is for educational purposes only. It should not be considered specific investment advice, does not take into consideration your specific situation, and does not intend to make an offer or solicitation for the sale or purchase of any securities or investment strategies. Investments involve risk and are not guaranteed. Be sure to consult with a qualified financial advisor and/or tax professional before implementing any strategy discussed herein.

LUCIEN, STIRLING & GRAY
ADVISORY GROUP 
"Smart Decisions About Serious Money"

4005 Guadalupe Austin, Texas 78751
 Phone: 512-458-2517 Fax: 512-458-3120
www.lsggroup.com

Lucien, Stirling & Gray Advisory Group, Inc. is a Registered Investment Advisory firm providing fee-only asset management, fiduciary-level advice and financial planning services to individuals, corporations, trusts and foundations.

For more information about our firm, please visit our website at www.lsggroup.com • Model holdings may change due to ongoing management • Sector and style breakdown is constructed with the best available information and therefore is only as accurate as the available information • Past performance is no guarantee of future results • It is impossible to invest directly in indices • Percentages may not equal 100 due to rounding