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QUARTERLY LETTER TO INVESTORS

Dear Investors,

Wow! The past year flew by in a flurry of political hysterics, threats of nuclear war on the Korean peninsula, social unrest and natural disasters. The markets took all this and more in stride. We saw less volatility in the equities market than at any time in the past twenty years. Equity markets were up 20% and U.S. bond markets were up 3%. We saw international stocks perform even better. Commodities appeared to have finally found a bottom after more than four down years. Copper saw significant buying throughout the year, which suggests that there is global demand for manufacturing. The energy sector also surged during the last three months of 2017, evidencing demand-side growth throughout the global economy. Real estate and interest rate sensitive assets performed well in response to continued low interest rates. Along those lines, we saw the 10-year running yield rise over the last four weeks of 2017. While still low historically, demand premium by longer-term bond investors bolsters the growth story, which is continuing to push earnings and, consequently, stock prices higher.

As I discussed repeatedly in 2017, the “Goldilocks Scenario” of rising corporate earnings coupled with stable interest rates has benefited all asset classes. Because Cabana Portfolios are made up of an allocation of all asset classes, we have seen exceptional performance in each of our core portfolios. Additionally, the Alpha Income Portfolio performed as designed by producing a consistent yield of more than 3% for our income investors. Finally, the Accumulator Portfolio provided an efficient and balanced investment for those investors that are just starting out, while also producing solid returns.

As a firm, Cabana continued our rapid growth across all segments of the business. **Notably, our assets under management grew last year from approximately \$50 million to \$350 million.** In addition to our own clients in Arkansas and Texas, we are also currently managing money for financial advisors across the country. We believe Cabana Asset Management will likely be ranked one of the ten largest advisors in Arkansas in 2018, and we hope to be one of the fastest growing in the nation. This success can be attributed to the dedication of our team and incredible clients who have placed their trust in us to manage risk and protect their assets.

Our insurance and annuity company, Cabana Financial, has continued to provide innovative solutions for the retirement needs of our clients, as well as strategic planning for the business owners that we counsel.

In 2017, our law firm provided comprehensive planning for families and businesses of all kinds. Services provided have included trust and estate planning, asset protection, tax planning, business succession planning and stock transfers.

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The Cabana Newsletter

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220 S. SCHOOL AVE.
FAYETTEVILLE, AR 72701
479.442.6464

5560 TENNYSON PARKWAY
STE. 260
PLANO, TX 75024
972.383.5300

INFO@CABANAPORTFOLIO.COM
WWW.CABANAPORTFOLIO.COM

2017 PORTFOLIO PERFORMANCE

(net of the highest advisory fees and
commissions)

CONSERVATIVE: +15.02%

MODERATE: +17.89%

BALANCED: +20.72%

GROWTH: +18.26%

AGGRESSIVE: +17.92%

ACCUMULATOR: +16.72%

ALPHA INCOME: +7.06%

QUARTERLY LETTER TO INVESTORS CONT.

We have also continued our partnership with Nationwide Insurance in setting up and administering a variety of 401K and defined benefit plans for business owners and their employees.

We would like to note the talented and hard-working people here at Cabana, who make us better and more responsive every day. Nik Paunov has been a solid, go-to person with extensive experience in all aspects of the financial services industry. When someone needs an answer, Nik knows where to find it. Michelle Alsobrook has brought us an in-depth knowledge of trading and back-office support. She makes the time-consuming and tedious aspects of our business a breeze. She has taken us to a new level of customer service, and I know that our clients appreciate it. Heather West joined us at the end of the year as vice president of operations and, like Michelle, brings decades of experience to Cabana. We know she will do great things. Esther Burrell continues to keep us all running and has a rapport with our clients like no other. Adam Smith provides us with innovative product solutions and research with respect to complex insurance and fixed-income problems, which has been invaluable. Santiago Munoz is simply one of the most solid and dedicated guys I know. He puts our clients first, always! David Covington is always there to build whatever investment ideas we come up with. His talent with computer software is amazing. The Ph.D. at the end of his name means something. Our intern, Andrew Henn, simply does it all. We will surely miss him when he graduates from the University of Arkansas in May. Go hogs!

We can't forget to mention our partners and employees in Dallas. Neal and Chris are as talented as they come in our law practice and in financial services. From estate and business planning to transactional litigation, they make us proud. The growth in our Dallas office is phenomenal. Sonya Clements and Olivia Paine keep things running down there and work hand-in-hand with our Fayetteville team. Daniel Ippolito joined us this year as a member of the law group and as the chief compliance officer of Cabana Asset Management. Danny brings more than ten years of compliance and regulatory experience. He has worked with various financial institutions and as a FINRA examiner. Last, but not least, Georgia Mason, our director of marketing and communications, has exceeded all expectations. Not only has she moved this company forward in areas of communication, social media and direct marketing, but she has been materially involved in every aspect of our firm's growth over the past year. We would not be where we are today without her.

Most importantly, we would like to thank our clients who continue to believe and trust in us every day. Our relationships with you make what we do so rewarding. Cheers to a happy, healthy and successful 2018!

Sincerely,
G. Chadd Mason, CEO
Louis Shaff, CFO

TOP TAX CHANGES THAT INDIVIDUALS AND SMALL BUSINESSES NEED TO KNOW

On December 22, 2017, President Trump signed into law The Tax Cuts and Jobs Act of 2017 (“TCJA”). The TCJA is the most dramatic change to the tax code in 30 years and is effective beginning in 2018. Below are several important changes that will likely impact our clients – both individuals and small businesses.



Reduced Tax Rates and Lower Brackets

The tax rates have been reduced slightly under the TCJA. Additionally, the tax brackets were lowered so that a greater amount of income is taxed at lower rates. These changes, of course, do not mean that you will actually pay less in tax, as there have also been substantial changes to allowable deductions, exemptions and other areas that impact the total tax paid by taxpayers.

Increased Standard Deduction and Elimination of Personal Exemptions

The standard deduction was doubled under the TCJA whereby the new amounts are \$12,000 for individuals and \$24,000 for married couples. These higher amounts will remove the necessity for many taxpayers to itemize deductions. This increase, however, is potentially offset by the elimination of personal exemptions. Therefore, as with the reduction in tax rates and lowering of tax brackets, the increased standard deduction amounts may not lead to a reduction in the total tax paid by a particular taxpayer.

State and Local Taxes (“SALT”) Capped

The itemized deduction for SALT and property taxes have been combined into a single deduction with a cap of \$10,000 for both individuals and married couples. This change will certainly have a negative impact on high-income earners and home owners in high-income-tax states (e.g. New York and California).

Estate Tax Exposure Minimized

The exemption for estate and gift taxes has been increased to \$11.2 million for an individual and \$22.4 million for a married couple. This change sunsets, meaning that the exemption amount would return to the \$5 million base in 2026 without further congressional action.

Potential Savings for Eligible Pass-Through Entities

Pass-through business income for sole proprietorships, LLCs, partnerships and S-corporations will continue to pay taxes at ordinary income rates. However, eligible pass-through entities will be eligible for a deduction of 20% of the tax payers allocable share-of-business income, subject to certain limitations. The deduction is available if the owner’s income falls under \$157,500 for an individual and \$315,000 for a married couple. These deductions are phased out over these amounts with a cap of \$207,500 for an individual and \$415,000 for a married couple.

The above changes are just a few of many. If you wish to discuss the above, or have other questions or concerns, please do not hesitate to contact your advisor.



- LOUIS SHAFF, CFO

FINANCIAL PLANNING IN 2018

The start of a new year is a great time to step back, evaluate your current financial situation, reconnect with your financial advisor, and update your long-term and short-term financial goals. A personalized financial plan is one of the most important places to start. For those of you who already have a financial plan in place, please remember, as your life changes, so should your plan.

What is a financial plan?

It is a comprehensive roadmap that evaluates your finances holistically and breaks down exactly what you need to do and when in order to meet your goals.

Financial planning can help prepare you for life's most important milestones, which include:

- ◆ Getting married
- ◆ Buying your first (or second or third) home
- ◆ Growing your family
- ◆ Paying off debt
- ◆ Sending your kids to college
- ◆ Starting a business
- ◆ Living your dream retirement
- ◆ Protecting your family
- ◆ Passing on your assets to your children



Cabana's advisors are proficient in financial planning and can help you get organized, prioritize your goals, and provide advice on how to meet them. We also have in-house estate and tax planning advisors that can assist with situations that require specialized knowledge. Call or email us today to set up your appointment.



DID YOU KNOW?

Cabana was voted Runner Up Best Investment Firm in CitiScapes Magazine for the third year in a row.



WELCOME, HEATHER WEST!

Heather joined the Cabana team in January, 2018 as a vice president of operations. She has more than 12 years of experience in the financial services industry at large firms like Merrill Lynch and Arvest Private Banking.

She holds FINRA Series 7 (General Securities Examination) and FINRA Series 65 (Uniform Investment Adviser Law Examination) licenses in the state of Arkansas. She will help lead Cabana's operations department, focusing on both Cabana clients and sub-advisory relationships.



A NOTE FROM MARKETING

As many of you have noticed over the past several months, we have increased our focus on providing education and communication to our clients and our peers. Our team is working diligently to ensure you are equipped with a consistent stream of information and resources, right at your fingertips. We do this through regular content creation for Cabana's blog, as well as through quarterly newsletters, email updates, and Facebook posts and videos. As part of our job, it is extremely important that we not only stay informed, but that we share that knowledge and understanding with each of you. Your financial life is a sensitive and often intimidating topic, and it is important that you understand it.

We have accomplished a lot over the past year, but I am the first to admit we have a long way to go. We are working to better Cabana every single day and part of that is providing you with real-time portfolio performance, industry rules and regulations, trends, government and tax deadlines, our own opinion articles, and hopefully sharing a bit about ourselves along the way. In addition to educating you, this is our way of showing you who we are and what we do best.

Please take advantage of these resources by following us on Facebook ([@CabanaHoldings](#)), signing up for email newsletters on our website's homepage ([www.cabanaportfolio.com](#)) and checking out our blog ([www.cabanaportfolio.com](#)).

As our partners, we appreciate any and all feedback you can provide. Feel free to send me an email at georgia@cabanaportfolio.com with any questions or comments regarding these efforts. I hope to speak to each and every one of you soon!

- GEORGIA MASON, DIRECTOR OF MARKETING & COMMUNICATION



For opinion articles, industry updates, advice and more from Cabana's team, visit our blog at www.cabanaportfolio.com. Below are a few features.



INFORMATIONAL RESOURCES IN LIGHT OF BITCOIN EUPHORIA

As the euphoria for Bitcoin and other cryptocurrencies continues to buzz, we at Cabana know that many have more questions than answers, and wanted to provide our clients with some helpful information and resources pertaining to digital cryptocurrencies. After all, the principals of Cabana are attorneys and we thought it only appropriate to compile some of the regulatory warnings that have been issued.

- Daniel Ippolito



THE YIELD CURVE: WHAT IS IT AND WHY IS IT IMPORTANT?

The yield curve is simply the difference between short and long-term interest rates. Short-term rates (2-year bond) are greatly influenced by central bankers (the Federal Reserve) in their attempts to stimulate the economy, support employment and contain price inflation. Long-term rates (20-year bond) are dictated by the market and forces associated with supply and demand.

- Chadd Mason



TACKLING THE TWO BIGGEST CHALLENGES OF FINANCIAL PLANNING FOR BLENDED FAMILIES

With the high incidence of divorce and remarriage, blended families are becoming the new norm. Unlike the traditional family, there are many aspects of a blended family that require careful and honest evaluation, including how to blend finances, especially when one (or both) spouses bring significant assets to the new relationship.

- Chris Carns

Disclosures

- Cabana is not affiliated with CitiScapes Magazine and did not pay a fee to participate in the 2017 Best of NWA survey. The rating is not indicative of Cabana's future performance. Working with a highly-rated advisor does not ensure that a client or prospect will experience a higher level of performance. These ratings should not be viewed as an endorsement of the advisor by any client and do not represent any client's evaluation. Awardees were selected based upon the voting of CitiScapes Magazines' readers on the public website, <http://www.bestofnwa.com/>.
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- Cabana LLC, dba Cabana Asset Management ("Cabana"), is registered as an investment advisor. The firm only transacts business in states where it is properly registered, or is excluded or exempted from registration requirements. Registration as an investment advisor is not an endorsement of the firm by securities regulators and does not mean the advisor has achieved a specific level of skill or ability.
- Performance returns represented in this newsletter are hypothetical but derived from Cabana's proprietary algorithm which is now being applied to Cabana's actual client accounts. Performance returns are geometrically linked for the applicable time period based on return data derived from Cabana's proprietary algorithm. They are modeled to be net of commissions and to include the highest advisory fees (2% charged to any client), and include the reinvestment of dividends and capital gains.
- Some performance returns are derived from hypothetical back-testing of the model and do not represent model returns during a time when actual client funds were invested. Hypothetical returns have inherent limitations. Back-testing involves a hypothetical reconstruction, based on past market data, of what the performance of a particular account would have been if the advisor had managed the account using a specific investment strategy. These returns do not represent actual trading and may not accurately reflect the impact of transactional costs as well as material economic and market factors on the advisor's decision-making during this time frame. As a result, actual returns may vary significantly from modeled returns. These results should not be viewed as indicative of the advisor's skill and do not reflect the performance achieved by any specific client. However, the model that gave rise to these back-tested performance results is one that Cabana is now using in managing clients' accounts.
- Performance returns and comparison to other benchmark indices are for illustrative purposes only. Other benchmark indices may materially differ from the Cabana Portfolios.
- Cabana, LLC manages assets on multiple custodial platforms. Performance results may vary based upon differences in associated costs and asset availability within the Cabana model.
- Although Cabana strives to ensure that its performance returns are accurate, they have not been independently verified. Detailed information as to how the returns are calculated can be obtained online from the following link <http://cabanaportfolio.com/wp-content/uploads/2018/01/Performance-Reporting-Methodology.pdf>.
- No current or prospective client should assume that the future performance of any specific investment or strategy will be profitable or equal to past performance levels. All investment strategies have the potential for profit or loss. All strategies have different degrees of risk. There is no guarantee that any specific investment or strategy will be suitable or profitable for any investor. Asset allocation and diversification will not necessarily improve an investor's returns and cannot eliminate the risk of investment losses.
- Additional information regarding Cabana, including its fees, can be found in Cabana's Form ADV, Part 2. A copy of which is available upon request or online at <https://www.adviserinfo.sec.gov/>.
- Please consult with a tax advisor before making any tax-related decisions.

220 S. SCHOOL AVE.
FAYETTEVILLE, AR 72701
479.442.6464

5560 TENNYSON PARKWAY STE. 260
PLANO, TX 75024
972.383.5300

INFO@CABANAPORTFOLIO.COM
WWW.CABANAPORTFOLIO.COM

