

SEPTEMBER 2016 - ADVISORY COMMENTARY

AUGUST CAME AND WENT FOR THE MARKETS WITHOUT MUCH FANFARE. THE BROAD INDEXES WERE GENERALLY UNCHANGED, WITH THE EXCEPTION OF THE NASDAQ COMPOSITE, WHICH ROSE 0.99%. VOLATILITY ALSO SAW A MARKED RISE OVER THE LAST WEEK OF AUGUST.

WHEN FOCUSING ON PORTFOLIO PERFORMANCE, IT'S VERY IMPORTANT TO REMEMBER THAT MANAGING RISK ON THIS DOWNSIDE IS A MUCH MORE RELEVANT FACTOR IN YOUR LONG-TERM SUCCESS THAN TRYING TO OUTPERFORM ON THE UPSIDE. THE DAMAGE DONE IN A DOWN MARKET CAN HAVE A MUCH MORE MAGNIFIED EFFECT THAN A FEW POINTS OF S&P 500 OUTPERFORMANCE WHEN THINGS GO THE OTHER WAY.

KEEPING THIS IN MIND, SOMEONE LOOKING AT INVESTING IN A TRADITIONAL 60/40 STOCK & BOND PORTFOLIO AIMING TO GENERATE A FAIRLY TYPICAL 8% OVERALL ANNUAL RETURN, WOULD LIKELY BE SURPRISED TO REALIZE THAT THEY WOULD NEED TO TAKE ON MUCH MORE RISK ON THE EQUITY SIDE IN ORDER TO PURSUE THIS GOAL. IN FACT, WITH BONDS IN THE 2% RETURN RANGE IN THIS CURRENT ENVIRONMENT, THE STOCK SIDE OF THE PORTFOLIO WOULD NEED TO GENERATE A SIGNIFICANTLY HIGHER ANNUAL APPRECIATION, YEAR AFTER YEAR.

WITH THAT SAID, IT WOULD BE DIFFICULT TO FIND MANY MARKET PROGNOSTICATORS THAT ARE PROJECTING 12% ANNUALIZED RETURNS FOR THE MARKET MOVING FORWARD. WHAT'S WORSE, IS THAT MANY PEOPLE MAY BE TAKING ON UNDUE RISK WITH THEIR EQUITY PORTFOLIOS, WHETHER BY HAVING CONCENTRATED "AGGRESSIVE GROWTH" HOLDINGS OR WITH AN OUTSIZED ALLOCATION TO STOCKS IN GENERAL. IN OUR OPINION, THE TRADITIONAL 60/40, OR EVEN 80/20, TYPE OF PORTFOLIO ALLOCATION DESERVES MUCH MORE SCRUTINY THAN EVER BEFORE, GIVEN THE UNIQUE MONETARY AND FISCAL SITUATION WE FIND OURSELVES IN THESE DAYS.

ONE FINAL UNIQUE TIDBIT OF INFO TO KEEP IN MIND: THE U.S. FEDERAL RESERVE CUT INTEREST RATES TO A RECORD-LOW 0% IN DECEMBER OF 2008 AND KEPT THEM THERE FOR 84 STRAIGHT MONTHS. BEFORE THIS, THE FED HAD NEVER HELD RATES THAT LOW AFTER A RECESSION FOR MORE THAN 16 MONTHS.

SINCERELY,



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AUGUST 2016 - MARKET UPDATE

EQUITY MARKETS

- S&P 500 INDEX TR **+0.14%**
- DOW JONES INDUSTRIAL AVERAGE TR **-0.17%**
- NASDAQ COMPOSITE INDEX **+0.99%**
- RUSSELL 3000 INDEX TR **+0.26%**
- CBOE SPX MARKET VOLATILITY INDEX **+13.06%**

FIXED INCOME MARKETS

- BARCLAYS U.S. AGGREGATE BOND INDEX **-0.11%**
- BARCLAYS U.S. 7-10 YEAR TREASURY BOND INDEX **-0.55%**

ALTERNATIVE INVESTMENTS, COMMODITIES & CURRENCIES

- S&P GSCI TOTAL RETURN INDEX **+1.77%**
- GSCI WEST TEXAS INTERMEDIATE EXCESS RETURN **+5.60%**
- U.S. DOLLAR INDEX **+0.61%**
- GOLD SPOT **-2.44%**
- DOW JONES COMPOSITE REIT INDEX TR **-3.25%**
- CBOE BUYWRITE MONTHLY INDEX **+0.95%**

ANCHORED GROWTH BENCHMARK **+0.15%**

(70% RUSSELL 3000, 25% BARCLAYS U.S. AGGREGATE BOND INDEX, 5% CASH)

FOUNDATION TOTAL RETURN BENCHMARK **+0.08%**

(50% RUSSELL 3000, 40% BARCLAYS U.S. AGGREGATE BOND INDEX, 10% CASH)

INFLATION-PLUS INCOME BENCHMARK **-0.03%**

(40% BARCLAYS U.S. AGGREGATE BOND INDEX, 40% BARCLAYS U.S. 1-3 YEAR TREASURY BOND INDEX, 20% CASH)

*SOURCE: KWANTL.COM (9/1/16). INDEXES ARE UNMANAGED AND CANNOT BE INVESTED INTO DIRECTLY. UNMANAGED INDEX RETURNS DO NOT REFLECT FEES, EXPENSES, OR SALES CHARGES. INDEX PERFORMANCE IS NOT INDICATIVE OF THE PERFORMANCE OF ANY INVESTMENT. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.



The Standard & Poor's 500 Index is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Dow Jones Industrial Average is the most widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue chip stocks, primarily industrials. The 30 stocks are chosen by the editors of the Wall Street Journal. The Dow is computed using a price-weighted indexing system, rather than the more common market cap-weighted indexing system.

The NASDAQ Global Market Composite consists of 1,450 stocks that meet NASDAQ's strict financial and liquidity requirements, and corporate governance standards. The Global Market Composite is less exclusive than the Global Select Market Composite.

The Russell 3000 Index is a market capitalization weighted equity index maintained by the Russell Investment Group that seeks to be a benchmark of the entire U.S. stock market. More specifically, this index encompasses the 3,000 largest U.S.-traded stocks, in which the underlying companies are all incorporated in the U.S.

The CBOE SPX Market Volatility Index shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options. This volatility is meant to be forward looking and is calculated from both calls and puts. The VIX is a widely used measure of market risk and is often referred to as the "investor fear gauge."

The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).

The Barclays US 7-10 Year Treasury Bond Index measures the performance of U.S. Treasury securities that have a remaining maturity of at least seven years and less than 10 years.

The S&P GSCI is recognized as a leading measure of general price movements and inflation in the world economy. The index – representing market beta – is world-production weighted. It is designed to be investable by including the most liquid commodity futures, and provides diversification with low correlations to other asset classes.

The GSCI West Texas Intermediate Excess Return Index reflects the returns that are potentially available through an unleveraged investment in the West Texas Intermediate (WTI) crude oil futures contract plus the Treasury Bill rate of interest that could be earned on funds committed to the trading of the underlying contracts.

The U.S. Dollar Index is a measure of the value of the U.S. dollar relative to majority of its most significant trading partners. This index is similar to other trade-weighted indexes, which also use the exchange rates from the same major currencies.

Gold Spot refers to the price paid for current delivery of 1 ounce of physical gold.

The Dow Jones Composite REIT Index contains all publicly traded U.S. REITs in the S&P Dow Jones Indices U.S. stock universe that are classified into one of three subcategories—equity, mortgage or hybrid—as defined by the REIT/RESI Industry Classification Hierarchy.

The CBOE S&P 500 BuyWrite Index (BXM) is a benchmark index designed to track the performance of a hypothetical buy-write strategy on the S&P 500 Index.



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