

## SEPTEMBER 2017 - ADVISORY COMMENTARY

AS WE ENTER SEPTEMBER WITH CONTINUED MARKET GAINS, IT'S STILL IMPORTANT TO REMEMBER THAT IT HAS BEEN 14 MONTHS SINCE THE S&P 500 EXPERIENCED A 5% SELL-OFF AND 19 MONTHS SINCE THE MARKET HAD A CORRECTION OF 10%. THE RUBBER BAND CONTINUES TO SEEM VERY STRETCHED AT THIS POINT IN TIME.

IN THE MIDDLE OF THE MONTH, WE TOOK THE MARKET'S LULL AS AN OPPORTUNITY TO PULL BACK ON OUR HIGH YIELD BOND AND HEDGED EQUITY EXPOSURE AND REPOSITION INTO MORE SHORT-TERM INVESTMENT GRADE CORPORATE BONDS AND MORE TRADITIONAL GROWTH AND VALUE STYLE EQUITIES. WE ARE BECOMING MORE CONCERNED ABOUT THE INCREASING VALUATIONS IN THE HIGH YIELD SPACE AND VIEW UNHEDGED STOCK EXPOSURE AS A MORE EFFECTIVE ALLOCATION TO TAKE ADVANTAGE OF ANY MARKET MELT UP THAT MAY OCCUR.

WE CONTINUE TO MAINTAIN OUR POSITION IN GOLD AS IT HAS BEEN OUTPACING THE S&P 500 AND THE DOW JONES INDUSTRIALS SINCE THE BEGINNING OF 2017. GOLD AT THIS POINT MAY BE SEEN NOT ONLY AS A HEDGE AGAINST WHAT THE FED AND OTHER CENTRAL BANKS ARE DOING, BUT ALSO AS A THERMOMETER ON THE OVERALL MARKET'S HEALTH. IT'S HARD TO SEE HOW GOLD COULD BE GAINING THIS MUCH GROUND IF THE TRUE HEALTH OF THE ECONOMY AND THE MARKET WAS AS GOOD AS IT'S BEING PORTRAYED IN THE MAINSTREAM PRESS.

FUN FACT #1 - THERE HAS BEEN \$1.96 TRILLION OF CENTRAL BANK PURCHASES OF FINANCIAL ASSETS IN 2017 ALONE, AS CENTRAL BANK BALANCE SHEETS HAVE GROWN BY \$11.26 TRILLION, TO A TOTAL OF \$15.6 TRILLION, SINCE LEHMAN BROTHERS COLLAPSED. (GOLDMAN SACHS 8/26/17)

FUN FACT #2 - OVER THE LAST 10 YEARS, S&P 500 COMPANIES HAVE RETURNED MORE MONEY TO SHAREHOLDERS VIA SHARE BUYBACKS AND DIVIDENDS THAN THEY'VE EARNED. (FACTSET 8/29/17)

FUN FACT #3 - AT \$8.6 TRILLION, U.S. CORPORATE DEBT LEVELS ARE 30% HIGHER TODAY THAN AT THEIR PRIOR PEAK IN SEPTEMBER 2008. (MAULDIN ECONOMICS 9/2/17)

FUN FACT #4 - AT 45.3%, THE RATIO OF U.S. CORPORATE DEBT TO GDP IS AT HISTORICAL HIGHS, HAVING RECENTLY SURPASSED LEVELS PRECEDING THE LAST TWO RECESSIONS. (MAULDIN ECONOMICS 9/2/17)

SINCERELY,



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THE OPINIONS VOICED IN THIS MATERIAL ARE FOR GENERAL INFORMATION ONLY AND ARE NOT INTENDED TO PROVIDE SPECIFIC ADVICE OR RECOMMENDATIONS FOR ANY INDIVIDUAL. THE ECONOMIC FORECASTS MAY NOT DEVELOP AS PREDICTED AND THERE CAN BE NO GUARANTEE THAT STRATEGIES PROMOTED WILL BE SUCCESSFUL.



## AUGUST 2017 - MARKET UPDATE

### EQUITY MARKETS

- S&P 500 INDEX TR **+0.31%**
- DOW JONES INDUSTRIAL AVERAGE TR **+0.65%**
- NASDAQ COMPOSITE INDEX **+1.27%**
- RUSSELL 3000 INDEX TR **+0.19%**
- CBOE SPX MARKET VOLATILITY INDEX **+3.22%**

### FIXED INCOME MARKETS

- BARCLAYS U.S. AGGREGATE BOND INDEX **+0.90%**
- BARCLAYS U.S. TREASURY BOND INDEX **+1.08%**

### ALTERNATIVE INVESTMENTS, COMMODITIES & CURRENCIES

- S&P GSCI TOTAL RETURN INDEX **-0.78%**
- GSCI WEST TEXAS INTERMEDIATE EXCESS RETURN **-6.18%**
- U.S. DOLLAR INDEX **-0.17%**
- GOLD SPOT **+3.49%**
- DOW JONES COMPOSITE REIT INDEX TR **+0.70%**
- CBOE BUYWRITE MONTHLY INDEX **+0.28%**

ANCHORED GROWTH BENCHMARK **+0.36%**

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

FOUNDATION TOTAL RETURN BENCHMARK **+0.46%**

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

INFLATION-PLUS INCOME BENCHMARK **+0.42%**

(40% BARCLAYS U.S. AGGREGATE BOND INDEX, 40% BARCLAYS U.S. TREASURY SHORT INDEX, 20% CASH)

\*SOURCE: KWANTL.COM (9/8/17). 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 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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