

AUGUST 2016 - ADVISORY COMMENTARY

THE S&P 500 CLOSED DOWN 0.1% LAST WEEK, ENDING THE FOUR WEEK WIN STREAK. IT WAS STILL A GREAT MONTH FOR EQUITIES THOUGH, AS THE S&P 500 GAINED 3.69% FOR THE BEST JULY SINCE 2013, WHICH GAINED 4.9%, AND THE BEST OVERALL MONTH SINCE MARCH ADDED 6.6%. THE MONTHLY WIN STREAK REMAINED INTACT THOUGH, AS THE S&P 500 IS NOW UP FIVE MONTHS IN A ROW. IT HASN'T MADE IT TO SIX STRAIGHT SINCE EARLY 2013. TECH, MATERIALS, AND CONSUMER DISCRETIONARY LED, WHILE CONSUMER STAPLES, UTILITIES, AND ENERGY ALL FINISHED IN THE RED AND LAGGED.

THE S&P 500 NOW IS UP FOR FIVE CONSECUTIVE MONTHS FOR THE FIRST TIME IN TWO YEARS. THE LAST TIME IT WAS UP FOR SIX STRAIGHT MONTHS WAS IN EARLY 2013. THE LOGICAL QUESTION IS: WHAT HAPPENS NEXT? SURPRISINGLY, THE RETURNS AFTER A FIVE-MONTH WIN STREAK ARE ACTUALLY STRONGER THAN THE AVERAGE RETURNS. INCREDIBLY, SINCE 1950 THERE HAVE BEEN 23 OTHER FIVE-MONTH WIN STREAKS. A YEAR LATER, THE S&P 500 HAS BEEN HIGHER EVERY SINGLE TIME WITH AN AVERAGE RETURN OF 12.9%.

THE MARKETS WILL NOW BEGIN TO FULLY DIGEST THE COMING ECONOMIC AND FISCAL PROPOSALS OF THE U.S. PRESIDENTIAL CANDIDATES. THIS ELECTION CYCLE WILL UNDOUBTEDLY CAUSE THE WORLD MARKETS SOME CONCERN, BUT HOW MUCH MORE VOLATILITY WILL BE ADDED IS ANYONE'S GUESS. THE POLLS WILL START TO GIVE US SOME INDICATION, BUT AS WE'VE SEEN IN THE U.K., THE INACCURACY OF POLLS CAN SOMETIMES CAUSE MORE SURPRISES THAN WOULD BE EXPECTED.

THE ONSET OF NEGATIVE INTEREST RATES ACROSS LARGE SWATHS OF THE WORLD'S BOND MARKETS IS BEGINNING TO REVEAL MORE OF THE UNINTENDED CONSEQUENCES OF THE ACTIONS TAKEN BY CENTRAL BANKS OVER THE PAST 7 YEARS. THIS IS A LARGE AREA OF CONCERN FOR US AND WILL LIKELY CAUSE EVEN MORE UNIQUE MARKET SITUATIONS TO DEVELOP AS WE MOVE FORWARD.

SINCERELY,



BRIAN WECKMAN, RFC
CHIEF INVESTMENT OFFICER
ACTIS WEALTH MANAGEMENT L.C.

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JULY 2016 - MARKET UPDATE

EQUITY MARKETS

- S&P 500 INDEX TR **+3.69%**
- DOW JONES INDUSTRIAL AVERAGE TR **+2.80%**
- NASDAQ COMPOSITE INDEX **+6.60%**
- RUSSELL 3000 INDEX TR **+3.97%**
- CBOE SPX MARKET VOLATILITY INDEX **-24.06%**

FIXED INCOME MARKETS

- BARCLAYS U.S. AGGREGATE BOND INDEX **+0.63%**
- BARCLAYS U.S. 7-10 YEAR TREASURY BOND INDEX **+0.32%**

ALTERNATIVE INVESTMENTS, COMMODITIES & CURRENCIES

- S&P GSCI TOTAL RETURN INDEX **-9.57%**
- GSCI WEST TEXAS INTERMEDIATE EXCESS RETURN **-15.29%**
- U.S. DOLLAR INDEX **-0.68%**
- GOLD SPOT **+1.61%**
- DOW JONES COMPOSITE REIT INDEX TR **+3.86%**
- CBOE BUYWRITE MONTHLY INDEX **+0.79%**

ANCHORED GROWTH BENCHMARK **+2.94%**

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

FOUNDATION TOTAL RETURN BENCHMARK **+2.24%**

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

INFLATION-PLUS INCOME BENCHMARK **+0.23%**

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

*SOURCE: KWANTL.COM (8/9/16). 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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