



Quarter 3, 2016

It has been over seven years since the recovery began following the Financial Crisis of 2008. Since then the price level of domestic blue chip companies, as measured by the S&P 500, have increased over 200%. Long into the recovery cycle questions remain regarding continued job growth, interest rates and economic policies that may change following the election in November. Despite these questions the global financial markets provided opportunities for growth in the third quarter.

For the quarter, large company stocks (S&P 500) increased 3.85% while small company stocks (Russell 2000) increased 9.05% with growth stocks faring better than value stocks across all market capitalizations. The weakest sectors were utilities and consumer staples while technology and financials were the strongest sectors within the economy.

The U.S. dollar depreciated modestly against most major foreign currencies in the 3rd quarter. A decrease in value of the U.S. dollar enhances returns when investing in foreign securities while an increase in the dollar's value reduces returns for U.S. investors holding foreign securities. For the quarter the MSCI EAFE Index (in U.S. dollars) increased 6.50% while the MSCI EAFE Index (in local currency) increased 6.11%.

The demand for intermediate and long-term Treasuries decreased during the quarter pushing yields higher with lower bond prices (bond yields move inversely to bond prices). The 10-year Treasury yield remains at historically low levels, ending the quarter at 1.57%. For the quarter the Barclays U.S. Aggregate bond index (a blended composite) increased 0.45%.

On September 21 the Federal Open Market Committee (FOMC) maintained the target range for the federal funds rate at 0% to 0.25%. In a press release following the meeting the Federal Reserve reiterated that the "Committee expects that, with gradual adjustments in the stance of monetary policy, economic activity will expand at a moderate pace and labor market conditions will strengthen somewhat further."

Beginning in 2007 the FOMC participants began submitting individual economic projections in conjunction with the four annual meetings. Although this is not an official policy tool, it does shed light on what the committee members are thinking should occur. Based on the most recent plot of rate projections released, fourteen of seventeen policymakers believe rates will rise by at least 0.25% by year-end. With the presidential election 6 days after the November meeting it is most likely to occur in December.

Taking the long view, we continue to believe that globally diversified stock and bond portfolios and disciplined investment strategies can continue to provide opportunities for those investors looking for growth.

I welcome your input and as always, should you have any questions or concerns, or if there is a change in your investment time horizon or financial circumstances, please contact me at your convenience.

Written and provided courtesy of North Star Resource Group.

Index and Composite Returns for Periods Ending 09/30/2016						
Index	3rd Q	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs
S&P 500	3.85%	7.84%	15.43%	11.16%	16.33%	7.23%
Russell 2000	9.05%	11.46%	15.47%	6.71%	15.82%	7.07%
MSCI EAFE (U.S. dollars)	6.50%	2.20%	7.06%	0.93%	7.88%	2.30%
Barclays US Aggregate Bond	0.45%	5.99%	5.31%	3.98%	3.00%	4.77%
Benchmark Composites	3rd Q	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs
Aggressive Growth	5.95%	7.05%	12.93%	6.98%	13.67%	5.71%
Growth	4.87%	6.78%	11.32%	6.28%	11.45%	5.47%
Conservative Growth	3.54%	6.33%	9.71%	5.80%	9.26%	5.24%
Income and Growth	2.47%	6.07%	8.10%	5.10%	7.04%	5.01%
Income	1.26%	6.08%	6.92%	4.90%	5.24%	5.02%

You cannot invest directly in an index. Past performance is not indicative of future results. The S&P 500 Index measures the performance of large capitalization U.S. stocks. The S&P 500 is a market-value-weighted index of 500 stocks that are traded on the NYSE, AMEX and NASDAQ. The weightings make each company's influence on the Index's performance directly proportional to the company's value. The Russell 2000 Index measures the total return of small capitalization U.S. stocks. The Russell 2000 is a market-value-weighted index of the 2,000 smallest stocks in the broad-market Russell 3000 Index. These securities are traded on the NYSE, AMEX and NASDAQ. Investments in smaller company and micro-cap stocks generally carry a higher level of volatility and risk over the short term. The MSCI EAFE Index is the Morgan Stanley Capital International Index and is designed to measure the total return of the developed stock markets of Europe, Australia and the Far East. Investment risks associated with international investing, in addition to other risks, include currency fluctuations, political and economic instability and differences in accounting standards when investing in foreign markets. The Barclays US Aggregate Bond Index is a market-weighted index that includes U.S. government, corporate, and mortgage-backed securities, rated investment grade or higher, with maturities up to 10 years. The Benchmark Composite returns are a weighted average of index data comprised in the following manner. Aggressive Growth is 45% S&P 500, 25% Russell 2000 and 30% MSCI EAFE. Growth is 35% S&P 500, 20% Russell 2000, 25% MSCI EAFE and 20% Barclays US Aggregate Bond. Conservative Growth is 30% S&P 500, 10% Russell 2000, 20% MSCI EAFE and 40% Barclays US Aggregate Bond. Income and Growth is 20% S&P 500, 5% Russell 2000, 15% MSCI EAFE and 60% Barclays US Aggregate Bond. Income is 15% S&P 500, 5% MSCI EAFE and 80% Barclays US Aggregate Bond. This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding any funds or stocks in particular, nor should it be construed as a recommendation to purchase or sell a security. Past performance is no guarantee of future results. Investments will fluctuate and when redeemed may be worth more or less than when originally invested. Tracking Number 1609677/ DOFU 10-2016
Sources: Federal Reserve Board, First Trust, and The Wall Street Journal.