North Star Resource Group
Changing Lives, Forever ®

Quarter 1, 2016

Equities fell into correction territory during the first six weeks of 2016 as concerns of a possible global recession grew. On February 11, a sharp recovery reversed this trend and began to lift equity prices higher by quarter's end with most indexes ending the quarter about where they began. With two corrections in eight months is it clear that volatility has increased, but with full employment, low inflation, delinquencies on consumer debt near record lows, wage growth acceleration and U.S. economic policies that are far from recessionary, the overall risk of a recession appears to be low.

For the quarter, large company stocks (S&P 500) increased 1.35% while small company stocks (Russell 2000) declined 1.52%. The weakest sectors were financials and health care while telecommunications, utilities and consumer staples were the strongest sectors of the economy.

Foreign stock markets in aggregate decreased in the 1st quarter despite a weakening U.S. dollar. 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) decreased 2.88% while the MSCI EAFE Index (in local currency) decreased 6.40%.

The demand for intermediate and long-term Treasuries increased during the quarter pushing yields lower with higher bond prices (bond yields move inversely to bond prices). This was the best start to a year for Treasuries since the credit crisis of 2008. For the quarter the Barclays U.S. Aggregate bond index (a blended composite) increased 3.12%.

On March 16 the Federal Open Market Committee maintained the target range for the federal funds rate at 0.25% to 0.50%, stating that economic activity has been "expanding at a moderate pace despite the global economic and financial developments of recent months."

The current recovery is fourth longest in U.S. history. Brian Wesbury, an economist with First Trust, has used the term 'plow-horse recovery' to describe the rate of economic growth we have experienced since the credit crisis. Despite the reality that this recovery is slow in many respects, it is important to remember that slow growth isn't the same as no growth, and a far cry from negative growth, which is what we would see in a true recession.

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.

Average Annual Returns for Periods Ending 3/31/2016						
Index	1st Q	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs
S&P 500	1.35%	1.35%	1.78%	11.82%	11.58%	7.01%
Russell 2000	-1.52%	-1.52%	-9.76%	6.84%	7.20%	5.26%
MSCI EAFE (U.S. dollars)	-2.88%	-2.88%	-7.87%	2.68%	2.76%	2.27%
Barclays US Aggregate Bond	3.12%	3.12%	1.88%	2.47%	3.80%	4.91%
Benchmark Composites	1st Q	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs
Aggressive Growth	-0.64%	-0.64%	-4.00%	7.83%	7.84%	5.15%
Growth	0.07%	0.07%	-2.92%	6.67%	6.94%	5.06%
Conservative Growth	0.93%	0.93%	-1.26%	5.75%	6.27%	5.05%
Income and Growth	1.63%	1.63%	-0.18%	4.59%	5.37%	4.95%
Income	2.55%	2.55%	1.38%	3.88%	4.92%	5.09%

You cannot invest directly in an index. Indices do not have expenses, which would reduce returns. 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. Investments in fixed income securities are subject to interest rate risk and, as such, the net asset value of bond and real estate funds will fall as interest rates rise. 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 1461159/DOFU 4-2016
Sources: Bloomberg, First Trust, JP Morgan and the Federal Reserve Board