North Star Resource Group
Changing Lives, Forever ®

Quarter 2, 2016

The second quarter ended with a bumpy ride for investors as markets around the globe reacted strongly to the British decision to leave the European Union. The initial selloff produced sharp price declines over a two-day period and was followed by a strong recovery over the last four days of the quarter, which brought the domestic markets back to where they were just prior to the Brexit vote. The conclusion, it appears, is that Brexit certainly creates some important political and economic questions for the United Kingdom, but in the end, a much smaller issue for the global economy.

Domestically, large company stocks (S&P 500) and small company stocks (Russell 2000) increased 2.46% and 3.79% respectively. The strongest performing sectors within the S&P 500 index were energy, telecommunication services and utilities, which increased 11.62%, 7.06% and 6.79% respectively. Information technology and consumer discretionary were the weakest performing sectors, falling 2.84% and 0.91% each over the quarter.

The U.S. dollar appreciated during the second quarter, decreasing returns for investors investing in foreign markets. A decrease in value of the U.S. dollar enhances foreign securities returns to U.S. investors while an increase in the dollar's value reduces them. For the quarter the MSCI EAFE Index (in U.S. Dollars) decreased 1.19% while the MSCI EAFE Index (in Local Currency) decreased 0.47%.

Fixed income yields declined in the second quarter as bond prices rose. Yields on 10-year Treasury notes fell from 1.79% at the beginning of the quarter to 1.49% by the quarter-end. For the quarter the Barclays U.S. Aggregate bond index (a blended bond composite) increased 2.32%.

On June 15 the Federal Reserve's Open Market Committee left the interbank lending rate target (federal funds rate) unchanged at 0.25% to 0.50%. Although the market widely anticipated another rate increase as early as mid-May, the slowdown in the pace of jobs growth and Brexit-related uncertainty has set expectations for future rate hikes to be a little slower.

In the official statement following the meeting, the Fed commented that "in determining the timing and size of future adjustments to the target range for the federal funds rate, the Committee will assess realized and expected economic conditions relative to its objectives of maximum employment and 2 percent inflation." Regardless of the timing the Committee expects the adjustments to be "gradual" and certainly does not appear to be willing to raise rates too quickly.

Long term, we continue to believe that well diversified global 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 06/30/2016						
Index	2nd Q	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs
S&P 500	2.46%	3.84%	3.99%	11.66%	12.10%	7.42%
Russell 2000	3.79%	2.22%	-6.73%	7.09%	8.35%	6.20%
MSCI EAFE (U.S. dollars)	-1.19%	-4.04%	-9.72%	2.52%	2.15%	2.05%
Barclays US Aggregate Bond	2.32%	5.52%	6.12%	4.07%	3.81%	5.16%
Benchmark Composites	2nd Q	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs
Aggressive Growth	1.70%	1.07%	-2.80%	7.78%	8.18%	5.50%
Growth	1.79%	1.88%	-1.16%	6.94%	7.20%	5.38%
Conservative Growth	1.81%	2.77%	1.03%	6.34%	6.42%	5.32%
Income and Growth	1.90%	3.59%	2.68%	5.51%	5.45%	5.20%
Income	2.17%	4.79%	5.01%	5.13%	4.97%	5.34%