

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%

You cannot invest directly in an index. Past performance is not indicative of future results. 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. Investments will fluctuate and when redeemed may be worth more or less than when originally invested. 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. Sources: First Trust Advisors, J.P. Morgan and the Federal Reserve Board. 1539003/DOFU 7-2016