North Star Resource Group
Changing Lives, Forever ®

Quarter 4, 2016

Despite falling into correction territory during the first six weeks of 2016, and another sharp selloff produced by the British decision to leave the European Union in June, equities produced good returns for the year. Following the presidential election in November equity prices rose sharply in general while financial stocks have surged on hopes of higher interest rates and less regulation.

For the quarter, domestic large company stocks (S&P 500) increased 3.82% while small company stocks (Russell 2000) increased 8.83%. Value stocks outperformed growth stocks across all market capitalizations. Within the S&P 500 financials, energy and industrials were the strongest performing sectors for the quarter increasing 21.10%, 7.28% and 7.21% respectively. Real estate, health care and consumer staples were the weakest performing sectors, falling 4.41%, 4.0% and 2.02% each over the 4th quarter.

Foreign stock markets in aggregate decreased in the 4th quarter with the US dollar surging upward following the election. 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 0.68% while the MSCI EAFE Index (in local currency) increased 7.11%.

With expectations of higher inflation, potentially higher budget deficits and looming interest rate increases bonds prices fell, sending yields higher as investors sold U.S. Treasuries. The yield on 10-year Treasury bonds increased from 1.57% to 2.45% over the quarter as sellers of Treasuries drove down prices (bond yields move inversely to price). For the quarter the Barclays U.S. Aggregate Bond Index declined 3.05%.

On December 14, the Federal Reserve's Open Market Committee raised the range for the federal funds rate to a range of ½ to ¾ percent. It has been almost a year since the Fed first began to raise its key interest rate last December. The move was widely anticipated by the financial markets with the futures market putting the probability of a rate hike before the meeting at nearly 100 percent.

Although this was only the second increase since the central bank cut borrowing costs to near-zero rates in 2008, the general consensus is that there is likely a steeper path to rate hikes in 2017.

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 12/31/2016						
Index	4th Q	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs
S&P 500	3.82%	11.96%	11.96%	8.87%	14.66%	6.95%
Russell 2000	8.83%	21.31%	21.31%	6.74%	14.46%	7.07%
MSCI EAFE (U.S. dollars)	-0.68%	1.51%	1.51%	-1.15%	7.02%	1.22%
Barclays US Aggregate Bond	-3.05%	2.75%	2.75%	2.99%	2.24%	4.36%
Benchmark Composites	4th Q	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs
Aggressive Growth	3.72%	11.16%	11.16%	5.33%	12.32%	5.26%
Growth	2.32%	9.38%	9.38%	4.76%	10.23%	5.02%
Conservative Growth	0.67%	7.12%	7.12%	4.30%	8.14%	4.78%
Income and Growth	-0.73%	5.33%	5.33%	3.73%	6.05%	4.54%
Income	-1.90%	4.07%	4.07%	3.67%	4.34%	4.59%

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.

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