Financial Services Advisory
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Correction, What Correction?

October Market Review From Your Portfolio Management Team—November 11, 2015

Stock markets shrugged off the concerns from the summer and staged an impressive rebound in October, rising 8% (as measured by the S&P 500 index) to mostly retrace the decline from August and September. If you had taken a late summer 3-month cruise, you might have returned to find stocks remain close to where they started the year and you would have avoided the heartache of the markets' month-by-month gyrations.

Even with the strong rebound, most asset classes remain at very anemic levels for the year. The table below shows the year-to-date returns of several common asset classes:

Index	YTD
Dow Jones 30	1.0%
S&P 500 Index	2.7%
Russell 2000 (small companies)	- 2.5%
REIT (real estate)	- 4.8%
Bloomberg Commodity Index	-15.8%
EAFE (foreign companies)	2.1%
High Yield Bonds	0.2%
Barclays Bond	1.1%
90-Day T-bills	0.1%

The sharp up and down gyrations in the stock market can often play havoc with the FSA portfolios. When stocks sell off 10% or more, we will be selling back our stock positions to protect the portfolios from further declines. Of course, that means we will not be heavily invested if stocks mount a sharp rebound from those low levels (as we saw in October). So, as is sometimes the case in these choppy sideways markets, our portfolios can be under water while the broader indexes have managed to climb back to neutral or even slightly positive levels. The last time we experienced that type of market was in 2011.

The good news for FSA clients is that these types of markets usually transition relatively quickly to either a more pronounced downtrend or a more pronounced uptrend. And our active approach allows us to re-position the portfolios to take advantage of either environment. So, we will continue to manage through this back-and-forth market action until we get a clearer picture of the longer term underlying trend. There is an old saying that 'the trend is your friend,' but that assumes one can identify the trend.

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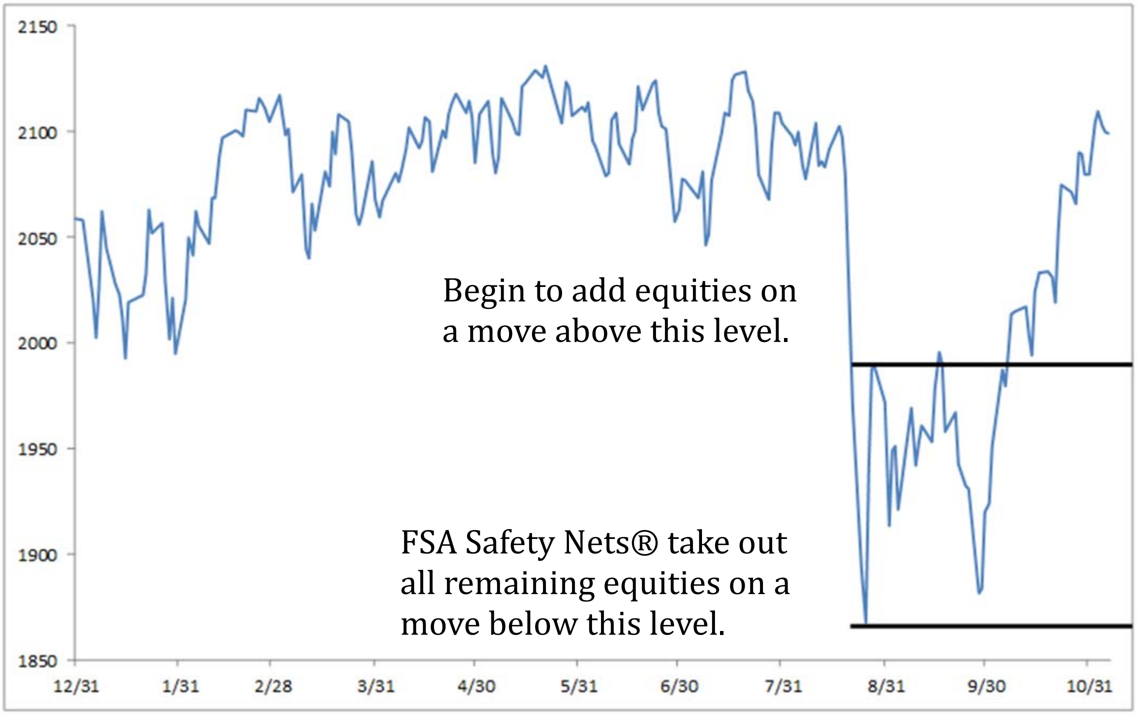

Looking to Year End

When we included this graph (above) of the S&P 500 index in last month's Market Commentary, stocks were within the trading range marked by the 2 horizontal lines. In October, stocks shot up above the line, and as we mentioned last month, we would begin moving money back into stock funds if that happened. So, you have probably noticed some trading activity in your accounts recently. If stocks can continue to move forward and reestablish an uptrend, we will get the portfolios close to their fully invested levels.

From now through year end we will be sensitive to the fact that most mutual funds will pay a distribution. For that reason, we may keep the taxable accounts with a bit higher money market position, until after the funds we own have paid their distribution. Since we have had so much volatility this year, don't be surprised if those distributions are relatively large.

With Thanksgiving only a few weeks away, we want to take this opportunity to thank you for your loyalty and friendship over the years. It has been our honor to work with you and we look forward to navigating the financial waters with you for years to come.

In addition, please make sure to notify us if anything has changed in your life that would affect or change how we manage your portfolios.

Ronald J. Rough
Director of Portfolio Management