



The Thrill of Victory and the Agony of Defeat **July Market Review from Your Portfolio Management Team—August 8, 2016**

By the time you receive this update, the world will be watching the summer Olympic Games in Brazil. For many of us, it is the one time every four years when we watch these amazing athletes whose entire life’s work boils down to a few minutes of competition. We admire their passion and drive, recognizing that for most of them—who compete in such obscure sports as badminton, fencing, and rowing—once their career comes to a close in that sport, there is no wealth and fame waiting for them.

No doubt the Olympic spectacle will be a welcome diversion from the dog days of summer, as we follow an increasingly bizarre presidential election, as well as markets that at times seem equally bizarre.

We have mentioned many times that we have been waiting for the broad stock market to break out of its trading range that goes back over a year. Well, the S&P 500 index did finally break above its trading range in mid-July, which should be signaling that stocks are resuming their uptrend. Unfortunately, stocks have not reacted very enthusiastically since breaking above that aforementioned resistance, managing only a 1% gain since breaking above.

With stocks showing some signs of exhaustion, coupled with a low economic growth report, we need to keep a watchful eye for a market reversal. At the same time, we have to respect that stocks have broken higher and may be setting up for another advance.

As you can see from the table below, we have pulled the money market levels down across all the strategies. In particular, we have taken the Core Equity accounts from roughly 35% money markets to 10% today.

| Strategy | Stocks | Bonds | Money Markets |
|---------------------|--------|-------|---------------|
| Tactical Growth | 70% | 20% | 10% |
| Core Equity | 90% | N/A | 10% |
| Conservative Growth | 40% | 55% | 5% |
| Income & Growth | 40% | 55% | 5% |
| Income | N/A | 95% | 5% |

Note: Allocations as of 08/03/16. Your specific portfolio may differ to some degree from these averages, as the FSA portfolios are individually managed.

If stocks and bonds continue to confound the experts and maintain the positive trends that we see now, our focus will be on monitoring the positions inside each portfolio—cutting back on areas that lag, while looking to increase those areas that are beginning to outperform.

Investing is more of a marathon than a sprint. And success depends upon preparation and discipline—following the game plan. The course has been particularly challenging recently, but market trends are indicating a better road ahead.

We hope everyone enjoys the upcoming summer games and can maybe even sneak in one last bit of summer vacation.

Note: Your quarterly billing statement is available for viewing in the FSA Vault.

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Director of Portfolio Management

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