



## October Begins with Tricks but Finishes with Treats

### October Market Review From Your Portfolio Management Team—November 12, 2014

The month of October has the reputation for bringing about scary times for investors. The 1929 Market Crash occurred in October, as did the 1987 Market Crash. And who could forget the most recent drop in 2008 as the financial crisis gripped world markets. Stocks fell 17% in October of that year.

As we entered the month of October this year, it was beginning to look like we might get another market scare, as stocks were beginning to slip back from their steady climb. The S&P 500 index had peaked in mid-September and investors wondered if we might be setting ourselves up for a correction of 10% or more. After all, the Fed was winding down its asset purchases to support the economic recovery. In addition, it has been over three years since the last serious market drop, so we were due for a correction to help keep investors from getting too complacent towards stocks.

Well, stocks (S&P 500 index) continued to drop during the first half of October falling over 7% from its September high. It was worse for small-cap stocks (-12%) and foreign stocks (-15%). However, as quickly as stocks retreated, they rebounded sharply and actually finished up 2% for the month—a pretty strong (and rapid) recovery. Small-cap and foreign stocks still remain below their earlier highs, however.

To get some sense how we reacted to this sell-off and recovery in stocks, please review the table below. It shows the low allocation to cash the FSA portfolios held as of 9/18, the market high for the S&P 500 index at that time. As stocks dropped over the ensuing month, our overall money market level rose to 21%. Our more conservative strategies would not have seen much trading activity because those portfolios held higher allocations to bond funds and were not as impacted by the sell-off in the stock market.

	Market Peak 9/18	Market Low 10/16	Current 11/3
Cash Level	7%	21%	14%

Note: Consolidated money market allocation across all FSA accounts and strategies.

Even though U.S. stocks snapped back to their highs, we have not fully reinvested the elevated cash amounts. Nevertheless, if stocks continue to rise, we stand ready to push those money market positions even lower.

Please let us know if there are any changes to your personal situation that might suggest some changes to your investment objectives.

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