



Once Again, Experts Proven Wrong **Post Election Market Update—November 9, 2016**

The so-called experts had all but given Clinton the Presidency. In spite of that, Trump wins the electoral college and will be elected as the 45th president of the United States.

Stock futures at one point were down 800 points last night as evidence began to build that Trump could win the election. As this is being written this morning, the U.S. stock markets are relatively flat, although below the surface there are some clear winners and losers. The rallying side includes financial stocks, health care stocks and industrial stocks. The losing side include(s) utilities, REITs, and consumer staples stocks. Treasuries are also falling, while gold is rising.

What we're doing...

No doubt you are wondering how your FSA accounts will fare today and in the weeks ahead, given all the experts who predicted market turmoil if Trump was elected. First of all, we would caution about putting too much faith in these so-called experts. Just look at the election results as evidence. Secondly, we had already tilted the portfolios into a slightly more defensive posture in late October as stocks had weakened a bit. Even though the overall trend remains relatively positive to neutral, we believe that volatility could be with us for some time. As you know, when the ocean waves get high, we will generally move closer to the beach.

Below is a table to give you an idea of how the portfolios were positioned just prior to the election:

Strategy	Stocks	Inverse	Bonds	Money Markets
Income	N/A	0%	95%	5%
Income & Growth	35%	0%	55%	10%
Conservative Growth	35%	0%	55%	10%
Core Equity	70%	0%	0%	30%
Tactical Growth	45%	5%	30%	20%
Sector Rotation	78%	16%	N/A	6%

Note: Allocations as of 11/07/16. Your specific portfolio may differ to some degree from these averages, as the FSA portfolios are individually managed.

As you can see from the Stock allocation column from the table, most FSA strategies are already pretty defensive, with the exception of Core Equity and Sector Rotation. If stocks weaken in the days and weeks ahead, we will continue to reduce or eliminate any positions that break through our FSA Safety Nets®.

As is our approach, we will not spend much time trying to guess whether stocks rally or sell-off from these levels. Rather, we will continue to monitor the portfolios daily and take out any positions that are rolling over, while looking for any areas that might begin to show strength. Financials, health care, and industrial stocks are showing some early signs as being among the beneficiaries of a Trump victory.

We know that your money is essential to your financial future. In addition, we know that the past few years have been challenging to make money. So we will be quick to pull all of the strategies to shore if this weakness gets more serious. If you are particularly nervous about any of your accounts, please call or email us to set up a time to talk.

On another topic, given that the end of the year is near, we want to take this opportunity to remind you of something that happens every year around this time: mutual funds pay out capital gain distributions in November and December. Some of you might recall this annual ritual from years past. But we wanted to bring it up since you might notice one or more of your fund positions drop in value more than you'd expect on a given day. Those drops will be adjusted by Schwab over the ensuing few days as the dividend gets reinvested.

Finally, we want to take this opportunity to wish you and your families a wonderful Thanksgiving holiday.

FSA Investment Team

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