



Quiet August Market to be Stirred Awake in September?

August Market Review from Your Portfolio Management Team—September 6, 2016

If you spent last month away on vacation or watching the Olympic Games, you haven't missed much.

In recent years, August has been a month rife with volatility, producing both up and down moves in equities. But in the month just passed, the S&P 500 Index finished flat, making it the most stagnant final month of summer we've seen going back to the pre-financial crisis year of 2007. The reason? There just hasn't been any news significant enough to drive markets in one direction or another for an extended period of time. But that could change as we shift into a new month.

Since reaching a new high in mid-August, the S&P 500 Index has been staying close to that level, reluctant to drift away as if anchored until a reason to break loose presents itself. Decisions coming out of Central Banks around the world and companies releasing announcements ahead of their third quarter earnings are just two events that could surprise market participants in September. Then there's the presidential election, with the first debate between the nominees expected late in the month. August began the period leading up to the November election that has historically been a good predictor of who will end up in the White House. If equities perform well from August through October, this tends to favor the current party in power. Thus, there would be a good bet that our next president will be a Democrat. If equities perform poorly, a Republican will be more likely to move in. And there is always the surprise of a rising independent to consider.

What does this mean for your portfolios?

In last month's Market Review, we provided a table listing the allocation among stocks, bonds and money markets across FSA strategies. Those allocations remained unchanged in August since calm markets provided no impetus for taking broad action. However, if you have accounts in our Core Equity or Tactical Growth strategies, then you might have seen some minor shifting in your portfolios. Even during periods of overall calm like we experienced in August, FSA is vigilantly watching each position in the portfolios, taking prudent action when necessary.

If August turns out to be the *calm before the storm*, followed by a downturn in the market, you will see FSA build up defenses across the portfolios. Conversely, if we find that the market merely took a summer breather before resuming an upward trend, then FSA will act accordingly and participate.

We'd like to leave you with a quote from the CEO of a fund company who spoke about the concept of making money gradually and why it's okay to make money slowly. It explains why FSA is diligent in protecting the assets that you have entrusted to us on your behalf, and it sheds some light on the idea that investing is about the journey, not winning the sprint:

"The markets take the stairs up and the elevator down. It's important not to be in the elevator."

Jeffrey Gundlach
CEO DoubleLine Capital
CNBC 06/24/16

We thank you for allowing us the privilege of guiding you on your journey.

Mary Ann Drucker
Assistant Portfolio Manager

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