Financial Services Advisory
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The Worst January on Record…That Never Was

January Market Update From Your Portfolio Management Team—February 5, 2016

Wow! January was quite the roller coaster ride for stocks. After 13 trading days into 2016, the S&P 500 index was down 9%, and was setting up as the worst January on record. Then on January 21st, stocks abruptly changed course, so that, despite the significant drawdown during the first part of the month, the index closed the month down 'only' 5%. Yet, this performance is still closer to the bottom of historical monthly returns for the market.

It's funny how statistics don't seem to capture the real journey sometimes. The same story can almost be said about the broader market of stocks. While the S&P 500, often considered the "market," is down around 9% from the all-time-high it set last year, the picture isn't as nice when you zoom out to capture the broader market. Mid-cap stocks are down closer to 15% from their highs, small-cap stocks are down around 20%, and the average stock is down over 25%. So, for investors outside of the S&P 500 (which is dominated by a handful of large companies, such as Amazon, Google/Alphabet, and Apple), the journey has been quite different lately compared to investors focused more on the large-cap stock index.

Yet, while the S&P 500 is down less than broader measures of stocks, it's still down in correction territory, which isn't anything to just brush off. The sell-off was so strong at the beginning of January, we even sent out an interim market update to inform our clients how our strategies had reacted and evolved with the market. At that time, we showed how much cash and bonds were in our strategies on average, and we've updated that information below to show that the rebound in the latter half of the month led us to keep the portfolios basically intact.

Strategy	Cash/Bonds **01/31/16**
Tactical Growth	65%
Core Equity	70%
Conservative Growth	75%
Income & Growth	75%

Note: Your actual portfolio allocations may differ from these averages as the FSA portfolios are individually managed.

The equities remaining in our portfolios have held above their FSA Safety Nets®, primarily balanced funds, dividend-oriented funds and Consumer Staples funds, but if stocks break below recent support, we are prepared to sell those too. In addition, we continue to be watchful for areas of strength to put some of the cash we've recently raised back to work. We are in a good position currently, and we can let the market tell us where it wants to go.

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