



Portfolio Shift Commentary: September 22, 2016

Wading into the Torrential Waters of the Upcoming Elections

Judging by the many phone calls and questions regarding the upcoming elections and the possible impact on portfolios, this is an area that needs to be addressed. Regardless of who you support, this will be a historic election as well as one of the most unusual elections on the record books.

Short term the election cycles can influence the markets in unpredictable ways. Volatility tends to pick up the month before elections. Long term regardless of whether Hillary Clinton or Donald Trump is elected, the results will minimally impact long term return, if history is of any guide. The most important factors will be growth, earnings, interest rates, and inflation and the impact of the Federal Reserve's response to those factors. We are always mindful of the impact of global as well as domestic economic changes and the impact on our client's portfolios. We make adjustments when necessary and raise cash or shift into more conservative portfolios when we feel volatility will pick up.

Brexit still hangs over the U.K. and most recently the Bank of England introduced the largest stimulus package since 2009. They also cut their base interest rates by 0.25%. We are still waiting for clarification around the Brexit negotiations which does have an impact on decision making and business sentiment. We will evaluate the impact of changes announced as the U.K. and the EU work toward clarifying the path ahead. For now, the cloud of uncertainty still hangs over that market.

We like the emerging market area and feel the slower path of interest rate increases by the U.S. Federal Reserve as well as some recovery in the commodities markets should help to support what we feel is the underpriced emerging market area. We do remain concerned that any major move upward in the U.S. dollar could stifle the growth we are now seeing in those markets. We remain cautiously optimistic in this area.

As always, we thank you for your continued support and we welcome your calls to discuss your portfolio or any concerns during this period of market volatility.

Best Regards,

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