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July 2017

# Mid-Year Update

Dear friends,

As I write this update on our opinion of the financial markets, we are well into summer and the triple digit temperatures certainly prove it. It is rare that I would rather be inside writing than enjoying an outdoor activity, but there are few items I believe warrant an update from our office.

First of all, thank you all for your assistance as we prepare for the Department of Labor's Fiduciary Standard Rule which was passed on June 9 and will be in full effect on January 1, 2018. This rule changes many aspects of how we handle retirement accounts including leveling the fee structure of all retirement accounts. We have reviewed and updated 90% of our clients' retirement accounts and expect to be finished by the end of the summer. The goal of my office since I entered the financial services industry in 1994 has been to put our clients' best interest over our own and that will never change. This new rule is the DOL's attempt to regulate that across our industry. The intent behind the rule is good, even if the implementation is flawed.

## Market update and outlook

The US and foreign stocks markets are having a fantastic year so far. I have attached the latest Investment Strategy Quarterly report from Raymond James if you would like more details on historical growth and the industries we like going forward.

The biggest surprise so far this year has been the lack of volatility. We have experienced very little ups and downs this year with most client statements slowly rising month after month. Please remember that this is not normal. While I am still quite optimistic for potential returns over the next 2-3 years, this low level of volatility makes it difficult to take advantage of markets dips and buy good companies cheap.

We are mindful of the potential for a normal pullback this year. In non-bear market years, the S&P 500 has experienced a 9% intra-year drawdown on average. The largest pullback this year has been -2.8%, which would be the smallest since 1980 (close to the current lowest reading of -2.9% in 1995, according to Michael Gibbs, Director of Portfolio Strategy for Raymond James). However, the current economic, earnings, and technical backdrops are supportive of equity markets moving forward. We would continue to view pullbacks within our favored sectors as buying opportunities. With the S&P 500 valuation near historic highs, an 8-12% drop would be a very normal occurrence before the next market rise.

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**Luncheon**

If you would like to hear more detail on our market outlook, and learn about ways that you can help add to your overall investment performance, then please plan to attend our luncheon on August 22. We have a good program put together for this complimentary educational session. Expect to receive an invitation within the next week or so.

In summary, the financial markets are rising expect a short-term drop at some point in the future (but don't panic), and let us treat you to lunch if you would like to learn more.

As always, the trust and confidence of our clients is our greatest asset. Thank you for your support and let us know if there is anything we can do to improve your financial well-being.

Sincerely,

Bob Alger

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