



Turning Success into Peace of Mind.

THIRD QUARTER 2015

July 7, 2015



To Our Investors:

By: Mark Van Mourick, CEO
Leslie Calhoun, CIO/CCO

Market Review by Mark:

While the Greek crisis has knocked stock indexes down recently, the U.S. economy and markets have been stuck on the 50-yard line since November 2014. The U.S. stock market has been at all-time high valuations and our timing indicators set off the preliminary sell signals which we outlined in our [April 1, 2015 Important Market Update](#) and further described in our [April 21, 2015 Second Quarter 2015 Newsletter](#). Consequently, we sold stocks throughout the second quarter and now have one of the lowest U.S. equity exposures in years. Year-to-date, stocks are flat and bonds are down despite a slow increase in business growth on “Main Street,” as forecast in our [January 9, 2015 First Quarter 2015 Newsletter](#).

U.S. ECONOMY:

First quarter 2015 U.S. GDP was revised upward (to down .2%) and may end up slightly positive at the final revision. Second quarter 2015 estimates and final year estimates are still projecting another modest growth year. Fortunately the average American business is having a strong year, driving consumer and business spending upward. National unemployment is down to 5.3% (from a peak of 10%) and wage pressure is bringing ultra-high margins back to more normalized levels. According to the recent Chapman University forecast (one of few institutions to predict the 2008 Great Recession), no Recession is in sight until the yield spread flattens to under 200 basis points between cash and Ten Year Treasuries. However, this could happen if the Fed raises short-term rates faster than long-term rates rise on their own.

Portfolio Update by Leslie:

We started the year with lowered expectations for investment returns in 2015 and our expectations were confirmed during the second quarter. While our long, slow recovery from the trough of the Great Recession still has legs, 2015 is proving to be a year with little opportunity for gain in either the stock or bond markets. At midyear, the DJIA total return (dividends reinvested) is 0.03%, the S&P 500 total return is 1.23%, and the Barclays U.S. Agg Bond total return is -0.10%. During Q2, the Fed lowered their expectations for U.S.

growth to 2.3% for 2015 and 2.7% for 2016. Over and over we hear about our richly valued U.S. equities, the strong U.S. Dollar, and more on the never-ending saga of the inevitable lift of interest rates by the Federal Reserve. This environment is creating heightened volatility moving risk/reward ratios beyond our comfort zone. Additionally, our technical indicators have given signals to reduce exposure to U.S. equities and intermediate-term bonds.

So, ultimately, the bottom line is that we are more concerned with preservation of capital during the high risk/low return environment until we get a real indication of market direction. During May and June, we reduced U.S. equity exposure to between 50% - 66% of full allocation and we reduced our longer-term bond exposure by half. We remain fully allocated to developed non-U.S. and emerging market equities. Our non-U.S. *developed* equities have opportunistic exposure to Japan. With a goal of achieving stable and moderate income in portfolios, we invested some of the cash we raised during the quarter into very short-term floating rate bond funds.

Market technicals have finally violated notable support levels. An immediate reversal will likely indicate stabilization but further slippage downward will likely compel us to reduce exposures further.

Longer term we believe that the magnitude of Greece's default will be less impactful on the worldwide economy and we see continued but guarded expansion in the U.S. economy driven by growth in consumer wealth and consumption. These assumptions support investing in a broadly diversified portfolio for the long term. In the interim we plan to protect capital and take advantage of buying opportunities in the coming months.

Family Wealth Advisory

At Optivest we believe that family wealth is more than just money. Family "wealth" includes resources and assets in all forms - investments, business interests and real property as well as family name, knowledge, health, values, spirituality, family unity and support of the community. For years we have advised on legacy planning and heir preparation but recently enhanced these services to include a dedicated ***Family Wealth Advisory*** program outlined below.

As professional fiduciaries and members of the *Institute for Preparing Heirs®*, we specialize in educating and supporting multi-generational families toward successful management and transfer of all aspects of their wealth. We can help you prepare for and maneuver through family meetings, optimizing communication as you share your legacy.

Utilizing Optivest's Family Wealth Advisory process allows us to take a holistic approach catered to your specific needs:

- Complete organization of your family's entire financial balance sheet (updated daily) through our proprietary OptiWealth online platform.
- Customized, ongoing interviews to conduct a thorough and thought-provoking understanding of your unique history, values, long-term wealth objectives and legacy plans.
- Complete organization of your estate, tax, business, property, insurance, health and personal documents on our secure and easily accessible online OptiWealth vault. Further, we help you with family meetings to successfully pass on your legacy to your heirs. Reference books and checklists included.

We believe in the power of family meetings. For some insightful reading on the importance of conducting family meetings and establishing communication amongst family generations, please read the *Family Meetings White Paper* on our website.

Upcoming Events Hosted by Optivest

Learn how family dynamics play a critical role in the single biggest risk a successful family could ever face . . . transferring wealth to heirs.

You are invited to attend our **Family Briefings** on one of the following upcoming dates:

- Wednesday, July 15, 2015 from 3:00pm – 5:00pm at Optivest
- Wednesday, July 29, 2015 from 3:00pm – 5:00pm at Optivest

If you have an interest in holding a family meeting, please call or email Shannon Kavlich at shannon@optivestinc.com or 949-363-8686.

Summary

After six years of economic recovery from the technical “end” of the Great Recession, valuations on most financial assets are very high. While no new Recession is forecast, traditional stock and bond markets offer only small rewards. We are being cautious in this environment, harboring extra cash and short-term bonds, buying alternative, non-correlated investments and waiting for better risk/reward opportunities.

On behalf of the entire team at Optivest, we wish you a splendid summer!

Mark Van Mourick

Leslie Calhoun

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