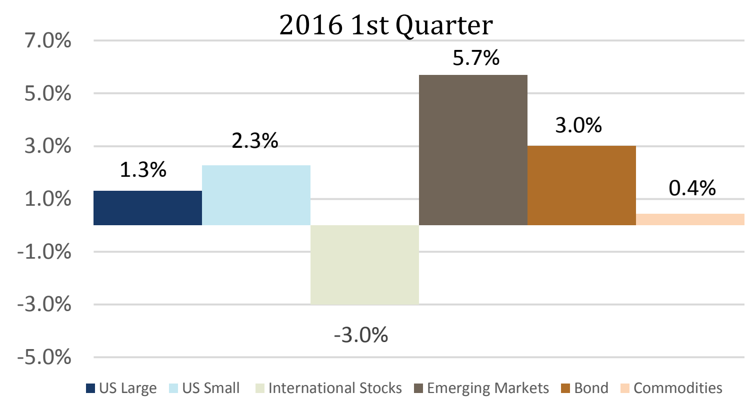
A “V” Market

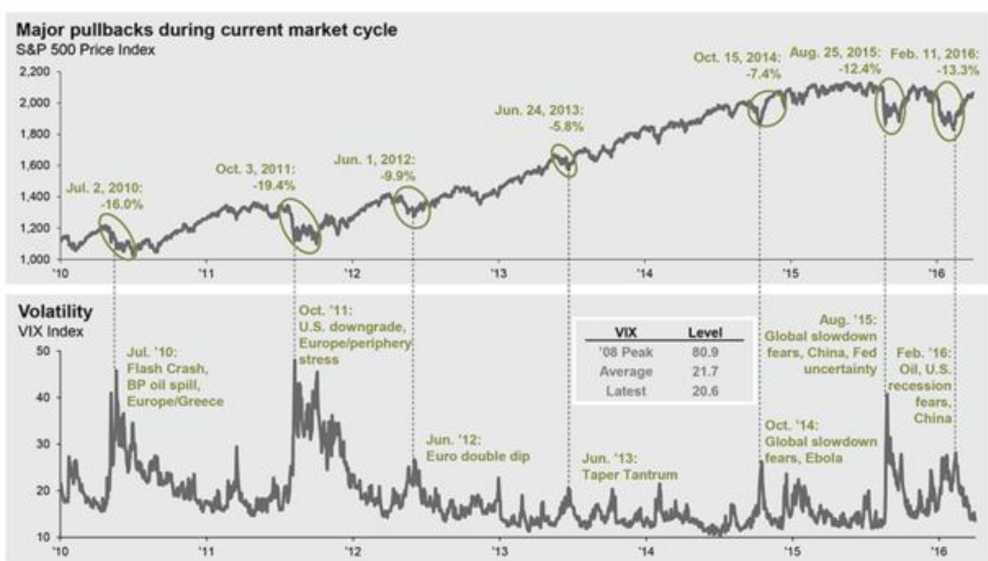
“Anyone can steer the ship when the sea is calm.” ***--Publilius Syrus***

Looking Back

“V” is for the volatility that the market experienced in the first quarter. It’s also the shape which the S&P formed over that same time period. The first half of the quarter consisted of wild daily swings and a sharp decline (down 11%), while wild daily swings and a subsequent sharp increase (up 13%) made up the second half. Despite all of the crazy movements, the S&P 500 ended right about where it started, +1.30%.



It was a crazy first quarter and an extremely tough one for investment managers. Nearly 80% of Large Cap mutual funds underperformed the S&P 500, and unfortunately, it doesn’t seem like the backdrop for the second quarter will get any easier. Despite the volatility, and the sharp reversal to the upside, the same fears and issues remain: oil price volatility, global slowdown fears, Fed uncertainty, China destabilization, and presidential election uncertainty. Because things have yet to paint a clearer picture, our strategy largely remains unchanged.



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management; (Bottom) CBOE.
Guide to the Markets – U.S. Data are as of March 31, 2016.

Moving Forward

Within our stock allocation, we continue to favor the United States, but we remain cautious and in a more defensive posture. We've raised cash as the market has made its way back to previous highs and will look to put that cash to work when we see a more meaningful entry point. International stocks continue to face headwinds and there still could be more pain before a buying opportunity is available.

Bonds continue to face a challenging environment as the yield curve flattens, the result of the Fed pushing short term interest rates up and foreign investors pushing long term rates down. In this type of environment, we continue to favor shorter and higher quality bonds.

We are continuing our allocation to alternatives in order to provide true diversification and opportunity in this uncertain market.

Canal Update

This past March, the investment committee made a trip to Cincinatti, OH to attend Fund Evaluation Group's annual Investment Forum. Fund Evaluation Group ("FEG") is a full service investment advisory firm with $50+ billion of assets under advisement. FEG provides us with reseach and investment solutions within the alternative investment space. The conference this year consisted of leading investment managers and prominent strategists, including Bill Ackmann (Pershing Square), Clif Asness (AQR) and Liz Ann Sonders (Schwab).

Fund Evaluation Group®
investment advisors

We congratulate Margaret Smith as she passed the CFP® exam in March. Nothing like passing a very difficult 6 hour test in the middle of tax season!

As always, please don't hesitate to contact us with any questions or changes in overall risk tolerance.

DISCLOSURE: Past performance is no guarantee of future results. Investments are subject to risk, including the loss of principal. Because investment return and principal value fluctuate, shares may be worth more or less than original value. These investments may not be suitable for all investors, and there is no guarantee that any investment objective will be obtained.

All indices are unmanaged and investors cannot invest directly in an index. Unlike investments, indices do not incur management fees, charges or expenses.

Investing in alternative investments may not be suitable for all investors and involves special risks, such as risk associated with leveraging the investment, potential adverse market forces, regulatory changes, and potential illiquidity. The purchase of bonds is subject to availability and market conditions. There is an inverse relationship between the price of bonds and the yield: when price goes up, yield goes down, and vice versa. Market risk is a consideration if sold or redeemed prior to maturity. Some bonds have call features that may affect income. Treasury bonds are guaranteed by the U.S. government as to the timely payment of principal and interest, and, if held to maturity, they offer a fixed rate of return and fixed principal value. U.S. Treasury bonds do not eliminate market risk.

The precious metals, rare coin and rare currency markets are speculative, unregulated and volatile and prices for these items may rise or fall over time. The commodities industries can be significantly affected by commodity prices, world events, import controls, worldwide competition, government regulations, and economic conditions.

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