

July 20, 2017

*This mid-year update reviews more than returns. We want to review two other topics: the security of your financial data, and the usefulness of regular meetings.*

## Returns

Returns for the first six months of 2017 were very good to excellent for most major assets classes. Having most asset classes perform well at the same time is not typical.

<u>Asset Class</u>	<u>First Half Returns</u>
Barclays U.S. Aggregate Bond	2.3%
S&P 500	9.4%
Russell 2000	5.0%
MSCI EAFE	13.8%

For all of the talk about the potential for increased inflation and falling bond prices due to rising interest rates, average bond prices actually rose slightly during the first half. Roughly 40% of the 2.3% return is due to bond price appreciation while the remainder is due to interest paid.

U.S. stocks (the S&P 500 and Russell 2000) performed well. These returns are viewed by various market analysts as the Trump trade, the solid U.S. economic outlook, or the beginning of unsustainable valuation levels. Most analysis points to lower future returns as opposed to a current asset bubble, though the distinction is somewhat semantic to some.

The S&P 500 ended the second quarter at 18.8 times estimated earnings for 2017. It appears that policies that benefit earnings in 2018 and beyond need to become more concrete, otherwise the view about lower returns is likely to become more widespread.

Foreign stocks clearly have posted the best returns so far in 2017. Poor performance in 2016, leading to some catch-up, is part of the reason. Also, talk at the beginning of the year was for rising U.S. interest rates and a rising U.S. dollar. This has not occurred. In fact, over 40% of the 13.8% return experienced by foreign stocks is due to the falling dollar.

## Protect Your Identity, Data and Assets

Reviewing how well your data is protected is more important than reviewing first half returns. We recently sent out an electronic newsletter with the above title. If you did not receive it or want a printed copy, please let us know. Three quotes from the piece highlight the risk and our serious approach to the risk. Please follow up with us if you need to after reading this section and the fore mentioned piece.

“We are sending you this special informational email to address the growing concern of cyber security and inform you of some of the steps Private Asset Management has taken to keep you safe.”

“As technology is more prevalent in our lives and our businesses, the threat of it being used against us has also increased.”

“Our purpose in writing is to create more awareness about cyberattacks, inform you what Private Asset Management is doing to protect our clients and provide you with resources for prevention and help.”

## The Usefulness of Regular Meetings

We would like to reiterate why we stress the importance of regular meetings. Circumstances and needs change. This may appear self-evident, but over the past year or so, we have seen more changes than normal. Time has been kind to both income and portfolio values, giving many more life choices than they had seven or eight years ago. Inheritance, downsizing, and increased medical bills have changed people’s needs, too. Finally, we are always willing to assist on non-portfolio issues like refinancing a house, discussing retirement planning or a gifting strategy.

We encourage you to avail yourself of these services as part of our total commitment to our relationship.

*Returns, security and meetings are all worthy of review. Please allow us to help protect and empower you as you move through various life phases.*