

SECOND QUARTER 2016 REPORT

*"I have even heard on good authority that I was dead. ...{however}.
The report of my death was an exaggeration."*

Mark Twain

The report of Mr. Twain's death, erroneous in 1897, points to the tendency for the media to jump too quickly to get the headlines out, often reaching incorrect conclusions. In fact, twice this year, the death of our markets have been grossly exaggerated. We began the year with a weak start, and the media was sure that the end was near. Not so.

Then again, in the June Brexit vote, the media reported that the markets had flat lined. No paddles were used, no special measures were provided by the FED, and here we are in the middle of July with the markets touching all-time highs.

The interesting thing is that in all my years in this business the death of the markets has been called so many times it is almost impossible to count. I started in financial services in 1977, and that year, this is what I knew; the S&P in June was 99.29ⁱ; the Dow stood at 999.84ⁱⁱ, and the average house cost \$ 54,000ⁱⁱⁱ.

Today we stand with the S&P above 2150, the Dow is above 18300 and the average house costs \$360,000.00^{iv}

That's right! Good news? Bad news? One thing is clear, a diversified portfolio of the top US companies just keeps growing.

Here is the point: in all the years that I have been in financial services, we have been through bull markets and great bears. Hurricanes and superstorms have hit us and we came back. On September 11, 2001 foreign terrorists attacked our shores. There have been numerous major financial crises (the crash in '87, the banking crisis of the early 90's, the tech bubble burst, and the great recession,) two wars, and an assassination attempt on a sitting US president. Yet the major US markets are currently at or around all-time highs.

Often we want to know what will happen next, we are inclined to believe that the future is knowable. With all of the knowledge and experience I have accumulated over my career, I have become smart enough to know that I cannot begin to predict the future better than anyone else. If you have been to my office, you have seen my "crystal ball" and it is never clear. I even commented on Brexit only to discover by the time we really had something to say the short term crisis of the day was over.

With consideration of the above factors I still believe that quality equities are central to meeting our investment goals. But the market is risky! The real risk is not participating in a well balanced portfolio. We know from investing in Berkshire Hathaway, that Mr. Buffett likes companies with strong brands, and great management that he can purchase at a reasonable price. If there is any lesson to be learned from him, it is that owning great companies over time leads investors to great long term success. When we were near the bottom of the recession Mr. Buffett has often said that he had no idea where the market was going in one day, one month, or one year, only that he saw bargains.

We have often referenced Dalbar^v, a firm that has consistently analyzed investor behavior. Year in and year out they have proven that investor behavior has more of an effect on portfolio performance than the actual investments held.

Since we have been working together we have always counseled that holding a steady course is much more valuable than trying to outguess the next market turn.

Every morning we start here (where we are) and our goal is to get “there” (where we want to be). For some of you “there”, is a new house, a new car, college education for children or grandchildren, for many of you “there” is a comfortable retirement.

Regardless, our job is to be your navigator, friend, and advisor. We are always striving to make sure that the best advice informs all of your decisions along the path from here to “there”. In most cases, you can only get from here to “there” with a well-balanced portfolio, hand holding when necessary and the best guidance we can give.

Please go to the website below to view our Video and new Brochure. As always please feel free to share our information with anyone that you think could benefit from our advice.

May the rest of your summer be wonderful.

Michael D. Kresh CFP®

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Fixed income investments are subject to various risks including changes in interest rates, credit quality, and other factors. Securities sold or redeemed prior to maturity may be subject to a substantial gain or loss. In general, the bond market is volatile as prices rise when interest rates fall and vice versa. This effect is usually pronounced for longer-term securities.

This material contains forward looking statements and projections. It is our goal to help investors by identifying changing market conditions. However, investors should be aware that no investment advisor can accurately predict all of the changes that may occur in the market.

ⁱ <http://www.multpl.com/s-p-500-historical-prices/table/by-month>

ⁱⁱ <https://www.census.gov/const/uspricemon.pdf>

http://www.automationinformation.com/DJIA/dow_jones_closing_prices_1971_to_1980.htm

^{iv} CNBC.com 07/12/2012

^v Dalbar's 21st Annual Quantitative Analysis of Investor Behavior 2015 Advisor Edition Dalbar
Federal Reserve Plaza 600 Atlantic Ave T-30