

summaries



the official newsletter of sigma investment counselors

January 2016

Market Commentary

The year 2015 was an underwhelming one for investors. The Standard & Poor's 500 Stock Index returned 1.38% including dividends. The U.S. bond market also had flat results. The complete scorecard is shown below.

	<u>Q4 2015</u>	<u>YTD 2015</u>
<u>Domestic Equities</u>		
S&P 500 Large Cap	7.04%	1.38%
S&P 400 Mid Cap	2.60%	(2.18%)
S&P 600 Small Cap	3.72%	(1.97%)
<u>International Equities</u>		
MSCI EAFE Developed Int'l	4.71%	(0.81%)
MSCI Emerging Markets	0.66%	(14.92%)
<u>Bonds</u>		
Barclays US Aggregate Bond	(0.57%)	0.55%

After years of double digit gains, many investors view these past year's small gains as a disappointment. However, a flat market can be healthy in this type of environment. If a company's stock price remained flat over the past year, while its revenues and earnings continued to grow, it should be more attractive to investors. While certain sectors like energy and materials struggled through 2015, the overall market was able to bounce back from a summer rout that dragged the S&P 500 down more than 10% from its high reached in May. The question we always get

asked by clients at this time of year is, "What's next?" While predictions are difficult, we do think that equities remain the asset of choice and are in the middle of a long term uptrend. Corrections (drops of 10%-20%) like we saw last summer will likely recur. Volatility in general seems to have returned to the markets. Investor psychology is more subdued than at any point in the past few years. Investors continue to worry, however, as the old saying goes "the market climbs a wall of worry." This is a healthy sign as excessive optimism usually does not end well.

The rhetoric surrounding the upcoming elections in the U.S., interest rate risk, geopolitical tension and global growth uncertainties all make for anxious investors. Despite those negatives, the U.S. economy continues to grow modestly, companies have strong balance sheets, consumer confidence is improving, and low energy prices are all positives for investors and the equity markets in general.

Investment returns from bonds will have a difficult time in a rising interest rate environment. Fixed income investors will have to keep a close eye on the Federal Reserve and global monetary policy. As is well known, when interest rates rise, bond prices fall. Even if we do not see another rise in interest rates soon, current low single digit interest rates will make for modest returns.

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Of course, we welcome the opportunity to discuss our outlook more fully with you. In closing, we extend to you our wishes for a happy, healthy and blessed New Year.

New Years Resolutions

January is a time that people like to set resolutions for the new year. People resolve to eat better or exercise more, with a goal of improving their physical health. Resolutions concerning finances and investments are also popular and often include saving more, or paying off debt.

I'd like to suggest a resolution to clients and friends of Sigma. In 2016, resolve to make sure you have a clear understanding of the Investment Policy Statement (IPS) that your portfolio manager has on file for you. If you're a client of Sigma, your IPS would have been written by your portfolio manager at the onset of your relationship and is updated at least annually. If you aren't currently a client of Sigma's, ask your investment advisor for a copy of your IPS and find out if it needs to be updated.

Past Sigma Summaries have emphasized the importance of sticking to the IPS guidelines. A proper IPS should include your financial goals, return objectives, investment background, time horizons, liquidity needs, constraints and most importantly your asset allocation guidelines.

The IPS serves as a road map for how to appropriately invest assets. It removes emotion and keeps investors disciplined through times of market volatility. During market corrections, it can be difficult to keep a long term point of view, but if there are guidelines and a plan in place that accounts for market swings it can make it much easier to stomach short term drops in the market.

In 2016, resolve to make sure your investment adviser has a disciplined plan in place in order to serve your needs that includes a proper IPS. As always, please do not hesitate to contact us to schedule a review of your IPS, and we are always happy to give a second opinion on an IPS you may have outside of Sigma.

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Please remember to contact Sigma Investment Counselors if there are any changes in your financial situation or investment objectives