

# QUARTERLY INVESTMENT STRATEGY QUICKVIEW

September 2017

## THEMES



### Rising Above the Storms:

While the loss of life and property damage have been devastating in Texas and Florida, we expect short-term economic data to be distorted. As with other natural disasters it will likely only be a temporary impact.



### Rates Set to Rise Slowly:

This is why we maintain a slight underweight to core bonds (duration risk exposure) for now as we expect this to be a steady headwind for bond investors.



### Dollar Weakening Provides a Boost for International Investments:

Translation effects of currencies can have a significant impact on returns for international investors. See this quarter's Investor Basics and Invest Ph.D. blogs for more information!

For more information, visit [www.CenterInvesting.com](http://www.CenterInvesting.com). All data as of 9/30/17

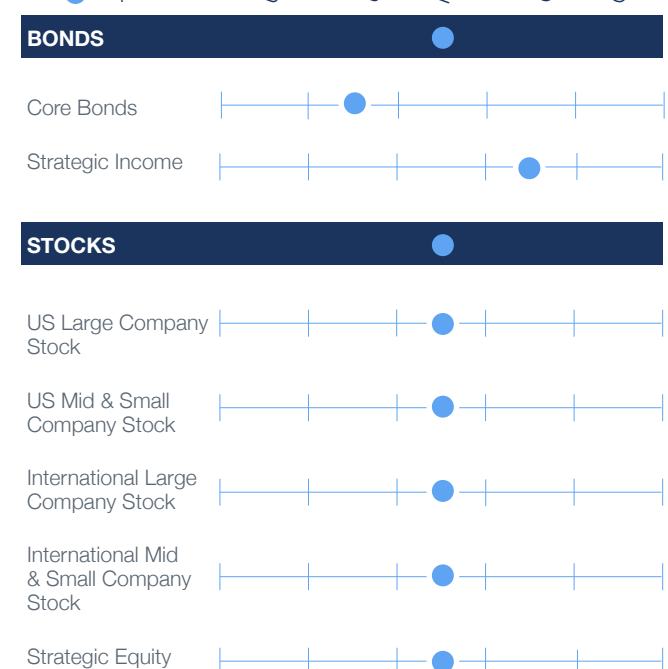
## ECONOMIC SNAPSHOT

ECONOMIC INDICATOR

	ECONOMIC INDICATOR
POSITIVE OUTLOOK	EMPLOYMENT
	CONSUMER SPENDING
	HOUSING
	MANUFACTURING
NEUTRAL OUTLOOK	GDP
	INFLATION
	LONG-TERM INTEREST RATES

## TACTICAL WEIGHTINGS (6-12 months)

● Sept 2017



## CAPITAL MARKETS SNAPSHOT

	Total Returns* (Through 9/30/17)				
	YTD	1 Year	3 Year*	5 Year*	10 Year*
S&P 500 TR USD	14.24	18.61	10.81	14.22	7.44
MSCI EAFE NR USD	19.96	19.10	5.04	8.38	1.34
Russell 2000 TR USD	10.94	20.74	12.18	13.79	7.85
Barclays US Agg Bond TR USD	3.14	0.07	2.71	2.06	4.27
Barclays US Corp HY TR USD	7.00	8.88	5.83	6.36	7.84
IA SBBI US Inflation	1.54	1.54	0.99	1.16	1.63

\*3, 5, and 10 year numbers are annualized.

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The tactical asset allocation dashboard above reflects the Center for Financial Planning, Inc Investment Committee's recommendations for current positioning relative to our longer-term strategic models. Your financial planner can help you interpret each recommendation relative to your individual asset allocation policy, risk tolerance and investment objectives.



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## ADDITIONAL RISKS:

International investing involves special risks, including currency fluctuations, different financial accounting standards, and possible political and economic volatility. These risks are greater in emerging markets. Commodities trading is generally considered speculative because of the significant potential for investment loss. There is no assurance that any of the forecasts mentioned will occur. Diversification does not guarantee a profit nor protect against loss. Dividends are not guaranteed and will fluctuate. There is no assurance that any investment strategy will be successful or that any securities transaction, holdings, sectors or allocations discussed will be profitable. It should not be assumed that any investment recommendation or decisions made in the future will be profitable or will equal any investment performance discussed herein.

Past performance is not indicative of future results. The performance mentioned does not include fees and charges which would reduce an investor's returns. Fixed income securities are subject to interest rate risk. Generally, when interest rates rise, bond prices fall, and vice versa. Specific sector investing can be subject to different and greater risks than more diversified investments. Investing in small-cap and mid-cap stocks generally involves greater risks, and, therefore, might not be appropriate for every investor. High-yield (below investment-grade) bonds are not suitable for all investors. When appropriate, these bonds should only comprise a modest portion of your portfolio.

## ASSET CLASS RETURNS: Source: Morningstar Direct.

Core Bonds: Securities with primary exposure to bonds with historically low default risk and high correlation to Barclay's U.S. Aggregate Bond Index. This includes Investment Grade bonds with Intermediate Maturities. This index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indexes that are calculated and reported on a regular basis. Municipal Bonds are also included.

Strategic Income: Securities with primary exposure to bonds with less interest rate risk and types of bonds that are less correlated to the Barclay's U.S. Aggregate Bond Index. This covers the universe of fixed-rate, non-investment grade debt (High Yield). Canadian and global bonds (SEC-registered) of issuers in non-EMG countries are included.

U.S. Large Cap Equity: Securities correlated to the Russell 1000 Index: Based on a combination of their market cap and current index membership, this index consists of approximately 1,000 of the largest securities from the Russell 3000. Representing approximately 92% of the Russell 3000, the index is created to provide a full and unbiased indicator of the large cap segment.

U.S. Small/Mid Cap Equity: Securities correlated to Russell Midcap Index: A subset of the Russell 1000 index, the Russell Midcap index measures the performance of the mid-cap segment of the U.S. equity universe. Based on a combination of their market cap and current index membership, includes approximately 800 of the smallest securities which represents approximately 27% of the total market capitalization of the Russell 1000 companies. The index is created to provide a full and unbiased indicator of the mid-cap segment. Securities also correlated to the Russell 2000 Index. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000 Index is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

International Large Cap: Securities are correlated to the MSCI EAFE. This index is a free float-adjusted market capitalization index that measures the performance of developed market equities, excluding the U.S. and Canada. It consists of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

International Small/Mid Cap: Securities are correlated to the MSCI EAFE Small-Cap Index. This index is an unmanaged, market-weighted index of small companies in developed markets, excluding the U.S. and Canada.

Strategic Equity: Securities with exposure to alternative investments that are less correlated to stocks and bonds with expectations and investments that can span across asset classes. Also includes investments in managed futures.

# DISCLOSURE

**INDEX DESCRIPTIONS:** Please note that all indices are unmanaged and investors cannot invest directly in an index. An investor who purchases an investment product which attempts to mimic the performance of an index will incur expenses that would reduce returns. Standard & Poor's 500 (S&P 500): Measures changes in stock market conditions based on the average performance of 500 widely held common stocks. Represents approximately 68% of the investable U.S. equity market. The Dow Jones Industrial Average is an unmanaged index of 30 widely held securities. The NASDAQ Composite Index is an unmanaged index of all stocks traded on the NASDAQ over-the-counter market. The MSCI EAFE (Europe, Australia, Far East) index is an unmanaged index that is generally considered representative of the international stock market.

There are risks associated with an investment in a municipal bond, including credit risks, interest rate risk, prepayment and extension risk, and geographic concentration risk. Interest from municipal bonds may be subject to or exempt from federal income tax. Bonds with exempt interest may be subject to the federal alternative minimum tax, or state or local taxes. Bonds may incur capital gains taxes if sold or redeemed at a profit. Rebalancing a non-retirement account could be a taxable event that may increase your tax liability.

US Bonds represented by Barclay's US Aggregate Bond Index a market-weighted index of US bonds. US stocks per S&P 500 Index a market-cap weighted index of large company stocks. US Small Companies per Russell 2000 Index a market-cap weighted index of smaller company stocks. International stocks measured by MSCI EAFE is a stock market index designed to measure the equity market performance of developed markets outside of the US and Canada. Barclays Capital US Corporate High Yield Index is an unmanaged index that covers the universe of fixed-rate, noninvestment-grade debt. Barclays Capital US Corporate High Yield Index is an unmanaged index that covers the universe of fixed-rate, noninvestment-grade debt. Ibbotson Associates Stocks, Bills, Bonds and Inflation report on US Inflation from the SBBI® Yearbook, by Roger G. Ibbotson and Rex A. Sinquefeld.

Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results.

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"Asset Allocation" portfolio assumes the following weights: 25% in the S&P500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Barclays US Aggregate bond index, 5% in the Barclays US 1-3 month Treasury, 5% in the Barclays Global High Yield Index, 5% in the Bloomberg Commodity Index, and 5% in the NAREIT Equity REIT Index. Annual rebalancing.