

## Quarterly Commentary October, 2014

Divergence seems to be the word that keeps coming up to describe the markets in 2014 so far, in particular during the 3<sup>rd</sup> quarter. While the U.S. Market, as measured by the S&P 500 was positive for the 3<sup>rd</sup> quarter, many other asset classes did not have such luck. In particular, the asset classes that performed well last year have given some of that back this year. Mid-Cap stocks, Small Cap stocks, and High Yield Bonds were all negative during the third quarter after helping contribute to performance in 2013. In addition, International Stocks and Commodities have been hit particularly hard as of late. I have been calling this the silent correction because many asset classes have been down 5-10% or more without getting much notice.

I want to take this opportunity to review our investment philosophy and discuss our strategy going forward.

### **Retirement Strategies Investment Management Philosophy**

*"At Retirement Strategies, Ltd., we focus on developing a long-term investment strategy based on the generally accepted principles of asset allocation. Our focus on asset allocation aims to balance risk and reward by apportioning a portfolio's assets according to an individual's goals, risk tolerance and investment horizon. With each client we will come to a mutually agreed upon objective for their accounts and overall portfolio and implement a diversified strategy based upon those objectives. Our approach to managing accounts is in an attempt to minimize downside risk by selecting diversely correlated investments and reducing standard deviation relative to the stock markets. We primarily use actively managed mutual funds to implement an investment strategy for our clients. We also use some ETF's to develop a core indexing holding and commodity strategy for client's accounts. We continuously monitor our client's accounts and make adjustments as necessary based on significant changes in weightings of asset classes, investment goals, or changes in risk tolerance or time-frame for investing."*

We continue to focus on the long-term and often view short term fluctuations as an opportunity to rebalance or make some adjustments to portfolios. We also continue to focus on Asset Allocation and diversification as a foundation for our investment strategy. Over the long term, different asset classes perform differently at different times. There are some times in the short term that this diversification is not apparent but looking historically at the performance of different asset classes, we continue to believe it is beneficial to have a diversified portfolio. I have included a chart below that show the performance of different asset classes over the last 10 years. As you can see, it is rare that an asset class has stayed at the top, or bottom, for a significant period of time.

Because of our commitment to this philosophy, we are currently working on re-confirming objectives for clients through use of an Investment Policy Statement. If we have not done this with you yet, we will do so in your annual review meeting. Please contact us if you want to discuss this sooner or have any immediate changes in your financial situation.

Sincerely,

Jeffrey R. Foster, CFP®  
Retirement Strategies, Ltd.

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