



Spring Robin - photo courtesy of Darlene Allen

Newsletter  
1st Quarter  
2016

205 N. Lakeshore Blvd, Ste B  
Marquette, MI 49855  
906-226-0880

[www.markahofinancial.com](http://www.markahofinancial.com)

Dear Friends,

I believe it's a good time to take a look at some perspective. The Dow closed on April 1<sup>st</sup>, 2016 at 17,792 and the S&P 500 closed at 2,072. This is slightly ahead of the closing numbers of this past December 31<sup>st</sup>, 2015. However, we all remember the big swoon the markets took in January. As a matter of fact this was one of the worst starts to our equity markets ever. By listening to the media you would have thought the world was going to end. The perspective I want you to think about is



the fact that short term market swings are rather insignificant. The key word here from our six base investment principles is **patience**.

Because you have done the proper planning for any funds you need to have for current living expenses, you should not worry about the short term swings in equity markets. If you are retired and drawing from your portfolio, you know we manage your withdrawals either out of the bond or cash alternative positions in your portfolio. We are not overly excited about the investment opportunity in either cash alternatives or bonds, however at the stage of life when you are withdrawing your funds, we must have this stable pool of funds to draw from monthly. We will rebalance on an annual basis to keep your portfolio properly structured for the amount of risk or volatility you desire as stated in your investment policy statement.

As you know, we are also carefully managing the bond part of your portfolio. We have made many changes to the bond portfolio during the last three months. My three missions to accomplish with this part of the portfolio are as follows: One, to preserve as much as possible against the negative effects of rising interest rates. Two, minimal correlation to the stock market. I do not want our bond portfolio to lose value if stocks lose value. Remember this is where we draw your withdrawals from. And three, if possible I would like to get some yield on the bonds. However this is my least concern at this time. The first two are most important.

Household Income is another important topic to review at this time. Since the year 2000 household income in this country has struggled to increase. During the difficult years of 2008 and 2009, household income decreased quite a bit, and continued until it bottomed out in 2011. The good news is that it has increased a lot and we are now back to where we were in the year 2000 (Source: Sentier Research). Some other interesting facts include that the value of U.S. housing has finally repaired back to where it was nine years ago. Further, we should note that consumer prices in January registered their biggest rise since 2012. Jim Paulsen, Chief Investment Strategist at Wells Capital Management, Inc., stated in early March...

“annual core consumer price inflation had risen from 1.6% to 2.2%,  
the core personal consumption price deflator inflation rate had risen 1.2% to 1.7%,  
the core consumer services inflation rate has risen from 2.5% to 3.0%,  
and wage inflation had increased from 1.8% to 2.5%. These are all relatively large increases.”

What does this mean? Well if these trends continue I believe the Fed will be empowered to normalize short-term interest rates. This may also slow down the growth of equity values going forward.

Why? Because it will most likely be difficult for profit margins of corporations to expand. The headwinds could be higher wages, higher energy costs, higher material costs and possibly the higher cost of money. Growth will most likely need to come from top-line growth and in the short term this may be hard to come by. Also, since equities are currently fairly valued at 16-17x earnings we are likely not going to see expansion in basic valuations.

Jim Paulsen stated we should not expect returns from mainstream equities above the five to seven percent range annually. Once global growth stabilizes we may see an increased amount of equity growth. However, I think five to seven percent growth looks good compared to what may be coming for long maturity bond holders. If rates do increase, the loss of value in long bonds is going to be a shock for those investors holding these type of investments.

So it looks like we may be in a slow growth environment coming up. Remember this is not “no growth” or “negative growth”. Going back to my key word for this message, **patience** is paramount at this time. I am often reminded of a popular Warren Buffet quote about the stock market: “The stock market is a superbly efficient mechanism for the transfer of wealth from the impatient to the patient.”

You have a plan and a strategy. My job is to make sure we stick to this plan.

God Bless you all!  
Mark

Please know that if you have any family members or friends who need a second opinion, we offer to give them a thorough review. Please provide our office with their name and phone number. We will call them and set up a discovery meeting to review their current situation.

Mark Aho, MBA, CFP®, CIMA®

President, MAFG, Financial Advisor, RJFS

Securities offered through Raymond James Financial Services, Inc. Member FINRA/SIPC.

*\*Dollar cost averaging cannot guarantee a profit or protect against a loss, and you should consider your financial ability to continue purchases through periods of low pricing.*

*This material is being provided for information purposes only and is not a complete description, nor is it a recommendation. Any opinions are those of Mark Aho and not necessarily those of RJFS or Raymond James. The information has been obtained from sources considered to be reliable, but we do not guarantee that it is accurate or complete, and it is not a statement of all available data necessary for making an investment decision.. 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. Investing involves risk and investors may incur a profit or loss regardless of strategy selected. Diversification does not ensure a profit or guarantee against a loss. Rebalancing a non-retirement account could be a taxable event that may increase your tax liability.*

*Specific sector investments, where companies engage in business related to a particular industry, like Technology, are subject to fierce competition, the possibility of their products and services being subject to rapid obsolescence and limited diversification. Investing in the energy sector involves special risks, including the potential adverse effects of state and federal regulation and may not be suitable for all investors.*

*Dividends are not guaranteed and must be authorized by the company's board of directors.*

*Bonds are subject to credit and interest risk. Timely payments of interest and principal payments are based on the financial condition of the issuer. Yield and market value will fluctuate with changes in market conditions. There is an inverse relationship between interest rate movements and bond prices. Generally, when interest rates rise, bond prices fall and when interest rates fall, bond prices generally rise.*



# THE NUMBERS

For a full analysis of the Quarter please go to our web site at [www.markahofinancialgroup.com](http://www.markahofinancialgroup.com). Then click on Client Center> Market/Economic

Commentaries> Investment Strategy Quarterly. Below is a brief snapshot from the report:

## CAPITAL MARKETS SNAPSHOT

EQUITY	AS OF 3/31/2016*	1Q16 RETURN**	12-MONTH RETURN**
Dow Jones Industrial Average	17,685.09	2.20%	2.08%
S&P 500 Index	2,059.74	1.35%	1.78%
NASDAQ Composite Index	4,869.85	-2.43%	0.55%
MSCI EAFE Index	1,652.04	-3.01%	-8.27%
RATES	AS OF 3/31/2016	AS OF 12/31/2015	AS OF 3/31/2015
Fed Funds Target Range	0.25 - 0.50	0.25 - 0.50	0.00 - 0.25
3-Month LIBOR	0.63	0.60	0.27
2-Year Treasury	0.76	1.06	0.56
10-Year Treasury	1.83	2.27	1.94
30-Year Mortgage	3.83	4.01	3.69
Prime Rate	3.50	3.50	3.25
COMMODITIES	AS OF 3/31/2016	1Q16 RETURN	12-MONTH RETURN
Gold	\$1,237.00	16.70%	4.21%
Crude Oil	\$38.34	3.51%	-19.45%

\*Price Level

16 \*\*Total Return

Source – Investment Strategy Quarterly, Raymond James Research

The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. The Dow Jones Industrial Average (DJIA), commonly known as “The Dow” is an index representing 30 stock of companies maintained and reviewed by the editors of the Wall Street Journal. The MSCI EAFE (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 22 developed nations. You cannot invest directly in any index and past performance doesn’t guarantee future results. The NASDAQ composite is an unmanaged index of securities traded on the NASDAQ system.

In addition to the above indices, we feel some of the following market performance information may be of interest to you regarding the portfolios we manage for you. (as of 03/31/2016) Source – Morningstar Research

Index		2016 YTD	2015	Last 10 years
Russell 1000G	Large Cap Growth	0.74%	5.67%	8.28%
Russell 1000V	Large Cap Value	1.64%	-3.83%	5.72%
Russell 2000G	Small Cap Growth	-4.68%	-1.38%	6.00%
Russell 2000V	Small Cap Value	1.70%	-7.47%	4.42%
MSCI EAFE	Developing International	-2.88%	-0.39%	2.27%
MSCI EM	Emerging Markets	5.75%	-14.60%	3.34%
DJ US Select REIT	U.S. Real Estate	5.12%	4.48%	6.17%
Barclays US Intermediate Govt/Credit		2.44%	1.14%	4.32%
Citigroup World Government Bond Index		7.09%	-3.57%	4.19%

*Russell 1000 Growth Index – Measures the performance of the 1,000 largest companies in the Russell 3000 Index, with higher price-to-book ratios and higher forecasted growth values. Russell 1000 Value Index – Measures the performance of the 1,000 largest companies in the Russell 3000. Index with lower price-to-book ratios and lower forecasted growth values. Russell 2000 Growth Index – Measures the performance of the 2,000 smallest companies in the Russell 3000. Index with higher price-to-book ratios and higher forecasted growth values. Russell 2000 Value Index – Measures the performance of the 2,000 smallest companies in the Russell 3000. Index with lower price-to-book ratios and lower forecasted growth values. MSCI Emerging Markets Index – A market capitalization weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Dow Jones U.S. Select REIT Index intends to measure the performance of publicly traded REITs and REIT-like securities. Barclays Capital U.S. Intermediate Credit Bond Index measures the performance of investment grade corporate debt and agency bonds that are dollar denominated and have a remaining maturity of greater than one year and less than ten years. The Citigroup WGBI G7 x U.S. (USD) is an unmanaged market value weighted index comprised of debt issued by countries in the group of 7 (Canada, France, Germany, Italy, Japan, United Kingdom, United States) excluding the United States.*



## What is the federal funds rate?

In December 2015, the Federal Open Market Committee (FOMC) raised the federal funds target rate to a range of 0.25% to 0.50%, the first shift from the rock-bottom 0% to 0.25% level where it had remained since December 2008.

The federal funds rate is the interest rate at which banks lend funds to each other from their deposits at the Federal Reserve, usually overnight, in order to meet reserve requirements. The Fed also raised a number of other rates related to funds moving between Federal Reserve banks and other banks. The Fed does not directly control consumer savings or credit rates, but the federal funds rate serves as a benchmark for many short-term rates, such as savings accounts, money market accounts, and short-term bonds.

The prime rate, which commercial banks charge their best customers, is typically about 3% above the federal funds rate. Other forms of business and consumer credit—such as small-business loans, adjustable-rate mortgages, auto loans, and credit cards—are often directly linked to the prime rate. Actual

rates can vary widely. Fixed-rate home mortgages and other long-term loans are generally not linked directly to the prime rate, but may be indirectly affected by it

The FOMC expects economic conditions to "warrant only gradual increases" in the federal funds rate. Most Committee members projected a target range between 0.75% and 1.75% by the end of 2016, so you can probably expect a series of small increases this year. Although rising interest rates make it more expensive for consumers to borrow, higher rates could be good for retirees and savers who seek current income from bank accounts, CDs, bonds, and other fixed-interest investments.

*The FDIC insures CDs and bank savings accounts, which generally provide a fixed rate of return, up to \$250,000 per depositor, per insured institution. The principal value of bonds may fluctuate with market conditions. Bonds redeemed prior to maturity may be worth more or less than their original cost. Investments seeking to achieve higher yields also involve a higher degree of risk.*

**Source:** Federal Reserve, 2015

## NICOLE'S KITCHEN

### Baked Eggs with Tomato And Feta Cheese

This has become my “go to” breakfast meal. I love a warm breakfast and it is quick and easy. With only a few ingredients, it makes a stunning meal. ENJOY!

- Olive oil cooking Spray
- Half of large Beefsteak tomato, chopped
- ½ cup Feta Cheese, crumbled
- 4 eggs
- ¼ teaspoon of dried oregano

Preheat oven to 375F and spray 2 ramekins with olive oil spray. Add chopped tomatoes and crumbled feta to ramekins. Sprinkled with dried oregano. Crack 2 eggs to each ramekin, and sprinkle with salt and ground pepper. Place it in the hot oven and cook until egg whites are set, about 15-17 minutes. Keep in the oven a bit longer if the egg whites are still running, but watch carefully so you don't overcook your egg yolks.

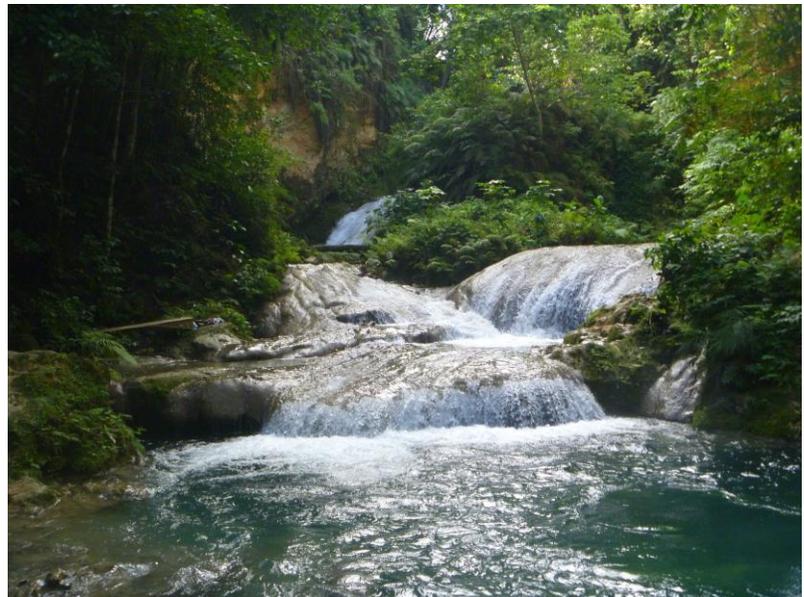
## Places to go, places to see!

Many of you enjoy traveling, and we very much enjoy hearing about your fun experiences. It led us to think some of you may be interested to hear suggestions about fun places people have gone, and things to do. We thought we would share a few of those with you.

To begin, we recently had clients MS and GS travel to Australia and New Zealand. Spending about 2 weeks in both countries, including Christmas in Melbourne. They had a wonderful time and enjoyed visiting popular sites such as the Sydney Opera House and Hobart, Tasmania. Their favorite place, was actually a little town in New Zealand named Wanaka. It is a resort town on New Zealand's South Island and sits on the southern end of its namesake lake with views of snowcapped mountains. Sounds like an amazing adventure and our clients are already talking about their next trip back.

We also had clients NN and NN travel to Jamaica for a week's holiday. One of the aspects they enjoyed most about Jamaica is the people. They are so friendly and welcoming, and have a rich history and culture. Jamaica is a beautiful place with lots of sun, white sand beaches, and just a wonderful place to relax.

Their favorite excursion was a place called The Blue Hole. Check it out!



The logo for "Eric's Blog" is a yellow oval with a drop shadow. The text "Eric's Blog" is written in a blue, sans-serif font with a white outline and a slight shadow effect.

## Eric's Blog

As you may know, I'm a bit of a sports enthusiast. That's why I love April. It's got two of my favorite big events in sports. At the beginning of the month there's The Masters. And if that weren't enough, the Stanley Cup Playoffs gets rolling in April, too. Congratulations to Danny Willett on his first major win at Augusta and best of luck to former NMU Wildcat Hockey standout Mike Santorelli of the Anaheim Mighty Ducks in his quest to bring home Lord Stanley.

Switching gears, when it comes to your finances – as it is with many things in life – it can be good to revisit the topic to keep up with changes or to simply refresh your memory every now and again. April is Financial Literacy Month, a time dedicated to brushing up on the building blocks of all things financial. This is also a great opportunity to educate family members, both young and old, on the basics and the subtleties of managing finances, whether it's as a refresher or an introduction.

According to a recent Financial Literacy Survey of U.S. adults conducted by the National Foundation for Credit Counseling, four out of 10 adults would give themselves a grade of C, D or F when it comes to their personal financial knowledge. It seems to be worse for young adults. In fact, adults ages 18 to 25 are the fastest growing segment of our population to file for bankruptcy. Perhaps those just starting their careers could really use the guidance and knowledge you've already attained.

While money alone isn't enough to make life meaningful, it can help determine your quality of life and how easily you can achieve your objectives. Understanding how wealth and investing intertwine puts everyone in a better position to work toward short- and long-term goals.

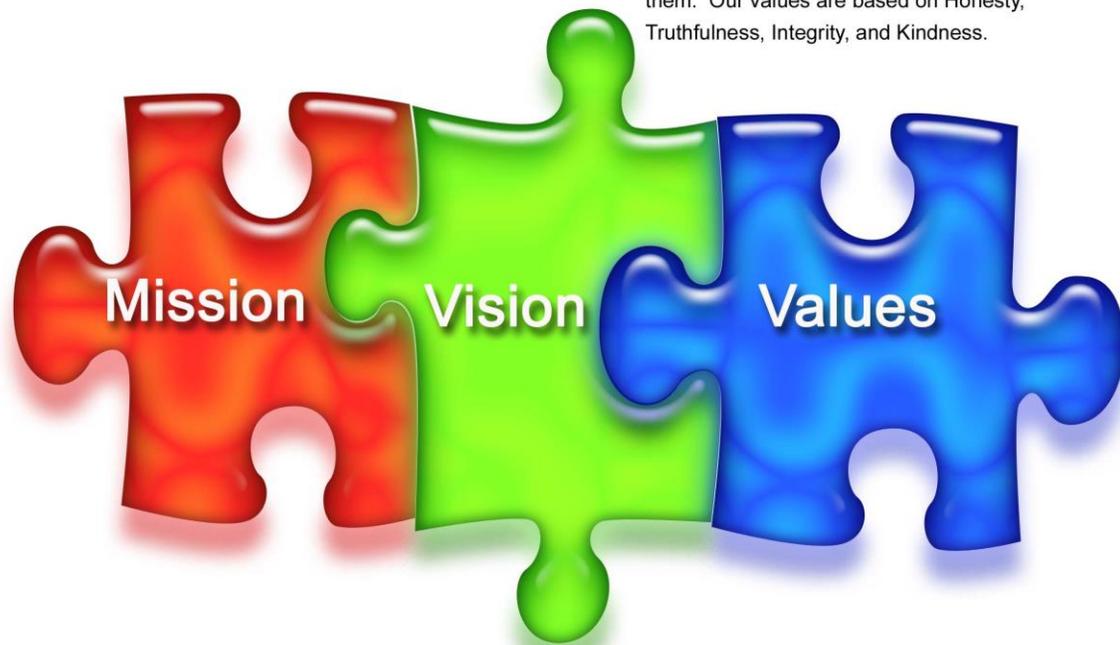
I hope you're happy with the goals you've set for this year and the years to come, and that your financial knowledge – along with my support – helps you achieve them. If you'd like to learn something new about financial planning or particular investments, I'd be happy to set up some time to answer any questions you or your family may have.

## Our Mission

We BUILD wealth  
We MANAGE wealth  
We PRESERVE wealth  
We TRANSFER wealth

## Our Values

We treat all people equally and with great respect. Our services are provided in an honest, truthful way every day. If we say we are going to do something, then it should be done. We should under promise and over deliver our services. We need to always meet our client's service expectations and if possible beat their expectations by going the extra mile to WOW them. Our values are based on Honesty, Truthfulness, Integrity, and Kindness.



## Our Vision

To be the dominant private wealth management group of advisors throughout the Upper Peninsula of Michigan. We provide all of our clients with excellent service. Because of this service they continuously provide us with quality referrals. We should be the first place prospects think of when they are looking for private wealth management and planning, including an ongoing relationship with multiple generations. The FA, Relationship Managers, and Client Concierge continue to be well trained in their areas of expertise.

Online Access – to log on to your online access, please go to our website above. You will click on INVESTOR ACCESS, and then ENROLL IN INVESTOR ACCESS.

You will need to set up a logon and password, and then enter one of your new account numbers. You can find that on your statement, or give us a call at 906-226-0880, or toll free at 855-999-0014 and we will gladly give you that information.

# SHREDDING!

Do you have documents or personal information that should be shred versus placed in the garbage? Protecting personal information and your identity are very important in today's world. We offer a free shredding bin available for your use. It is locked, and our shredding service comes once a month to shred the contents of the bin on sight. You may stop at our office at any time during business hours to place paperwork in our shredder. We welcome you to take advantage of this free and valuable service.

“Not being able to do everything is no excuse for not doing everything you can.”

--Ashleigh Brilliant

“Perfection is not attainable, but if we chase perfection we can catch excellence.”

– Vince Lombardi



*An Independent - Objective Firm*

205 N. Lakeshore Blvd, Ste. B., Marquette, MI 49855  
906-226-0880 \* Toll-Free 855-999-0014  
Fax 906-226-1767  
markahofinancial.com

Securities offered through Raymond James Financial Services, Inc., Member FINRA/SIPC.