MARK AHO
FINANCIAL GROUP
An Independent - Objective Firm

4th Quarter 2016

Newsletter

"We're always coming across interesting facts and stories, whether it is through our market research or just in our everyday lives in the Upper Peninsula. Our Newsletter is our opportunity to share these insights with you."

Mark A. Aho, MBA, CFP®, CIMA®
President, MAFG
Financial Advisor, RJFS

Dear friends,

As we reflect on the past year and embark on new experiences in 2017, I thought it would be helpful to review the beliefs and philosophies behind the nature of our advice to clients. In a general sense, my experience has been that just about all successful investing is goal-focused and plan driven, while most failed investing is market-focused and performance-driven.

Perspective of our time tested principles

In my many years of experience, the very successful investors I've known were continually acting on a plan, and tuned out all of the fads and fears of the moment. While the failing investors I've encountered were continually chasing or reacting to economic and market "news."

(continued on next page)

Pictured left to right:
Lois Williams, Client Associate

Joe Jeeves, CFP®, Financial Advisor

Mark Aho, MBA, CFP®, CIMA®, President, MAFG, Financial Advisor

Nicole Burony-Noble, Registered Executive Assistant

Eric Froberg, AAMS, Financial Advisor

Amanda Zorza, Registered Client Associate

Most of my clients are working on multi-decade or multi-generational plans for such things as education for kids and grandkids, their secure retirement and a meaningful legacy. The ongoing and never ending current events in the economy and the markets are nothing more than a distraction for them. For this reason, when we create a personal financial policy statement for each of you, we make no attempt to design it relative to the current musings of the fad or fear being broadcast on the daily news headlines, but rather align your portfolios with your most cherished long-term goals.

As most of you know, I don't forecast the economy or the markets. I make virtually no attempts to time the market. Market timing is unimportant to the grand plan we put in place for each of you. I cannot, and am convinced that no one can consistently project future relative performance of specific investments based on past performance. We are planners and not market prognosticators. When asked about our value proposition to each of you, I believe it is in our extensive attention to deep discovery to find out what you want to accomplish with your financial life and for us to put this into a plan for you to be successful in reaching those goals. This also requires a lot of behavioral coaching to help you to avoid overreacting to market events both positive and negative.

As I think about the essential principles of portfolio management to help each of you reach your financial goals I would state the following items should be considered. (1) The performance of a particular portfolio relative to a benchmark is largely irrelevant to your financial success. (2) The only important benchmark we should pay any attention to is the one which indicates whether or not you are on track to accomplish your financial goals. (3) Risk should be measured as to the probability you will not reach your financial goals. (4) Investing should have the exclusive objective of minimizing this risk.

Once we put your long-term plan in place, and have funded it with investments which historically have been best suited to accomplish your goals, we will rarely change the strategy we have crafted other than to rebalance the portfolio to meet the original intentions of the strategy. Briefly stated, if your goals have not changed, generally there is no need to change the portfolio. It seems to me the more an investor changes their portfolio, the worse the results become. I tend to agree with the Nobel Prize-winning behavioral economist Daniel Kahneman, when he said, "All of us would be better investors if we just made fewer decisions."

Let's take a look at some numbers. Going back to 1980 the average intra-year decline in the S&P 500 has been around fourteen percent. However, during this time annual returns have been positive 28 of these 37 years, and the index has gone from 106 at the beginning of 1980 to 2283.83 as of December 31, 2016. The primary lesson to be learned from this is that temporary market declines are very different from permanent loss of capital. Therefore the most effective antidote to volatility is simply the passage of time. I cannot predict this will always be the case, however I can only be guided by the wisdom of history and also by other great investor's such as John Templeton, who said the four most dangerous words in investing are "it's different this time."

The very nature of successful investing as I see it is the practice of **rationality under uncertainty**. We will never have all the information we want about the future, and yet we invest in this essentially unknowable future. However, practicing the principles of long-term investing has yielded the best results over the historical past. The principles of having this faith in the future, a continued rational

optimism based on experience, ongoing patience and the discipline to let your long-term well thought out plan continue on… even when the world at large is causing you to rethink everything.

Please know that the above principles will continue to be the fundamental building blocks of our investment advice in 2017 and beyond.

Some Current observations

Let's go back and take a look at the swings in the market during the past year. While you read this section keep in mind what I wrote in the previous section. The first six weeks of 2016 started out with just about the worst market performance ever. The S&P 500 declined more than eleven percent from its 2015 close through February 11. Then in June the market dropped nearly six percent following the surprise Brexit vote. And then there was the moment during the wee hours of the morning during the recent presidential election when I saw the Dow Jones Industrial average futures index down about 800 points! Yet despite all of this crazy emotional market movement, the S&P 500 closed out this year at 2238.83. With dividends at about two percent, the market's total return during this volatile year was 9.54%. In a sense, this year's market swings are like a tutorial of why tuning out fads and fears are so important to the actual long-term trail of reaching your financial goals and objectives.

The market swings just before the election was indicative of the fact that the market just does not like uncertainty. So going forward the best thing we can say about this is that the election is over. We know the outcome. The market can deal with just about anything, as long as it knows **what** it is dealing with.

Keeping politics out completely, my observation of the incoming presidential administration, which will enjoy solid majorities in both Houses of Congress, is likely to pursue more pro-business, pro-capital, pro-growth policies than the other presidential candidate might have. These new policies should tend to be favorable to the long-term equity investor.

It seems to me that financial journalism just about always sees the equity markets as overvalued. At this time I beg to differ, not to predict the short term direction of the markets, heaven forbid, but to just give you a true sense of where we are. According to the statistical research service FactSet, the current consensus earnings estimate for the S&P 500 in 2017 is ~8%. At its 2016 close of 2238.83, then, the forward 12-month price/earnings multiple of the Index is 16.92. The 25-year average forward P/E is 15.9. If we accept the consensus earnings estimate, it is difficult to see the market's current valuation as much greater than average.

Again, most importantly, keep your eye on the long-term goals and objectives you have. It's not easy to be a successful investor. The fads and fears within this world are sometimes so powerful, they can take you off track. Just know that we are here to help you start your journey toward your goals and objectives and to make sure you stay on the right track to get there.

God Bless You,
Mark

The Numbers

For a full analysis of the Quarter, please go to our web site at 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

Index		2016 YTD	2015	Last 10 years
Dow Jones Industrial Average		13.42%	-2.23%	4.72%
S&P 500 Index		9.54%	-0.73%	4.67%
NASDAQ Composite Index		7.50%	5.73%	8.34%
Russell 1000G	Large Cap Growth	7.08%	5.67%	8.33%
Russell 1000V	Large Cap Value	17.34%	-3.83%	5.72%
Russell 2000G	Small Cap Growth	11.32%	-1.38%	7.76%
Russell 2000V	Small Cap Value	31.74%	-7.47%	6.26%
MSCI EAFE	Developing International	1.51%	-0.39%	1.22%
MSCI EM	Emerging Markets	11.60%	-14.60%	2.17%
DJ US Select REIT	U.S. Real Estate	5.12%	4.48%	4.63%
Barclays US Intermediate Govt/Credit		2.08%	1.14%	3.83%
Citigroup World Government Bond Index		1.60%	-3.57%	2.99%

*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. The MSCI EAFE 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 21 developed nations. 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 **NASDAQ** composite is an unmanaged index of securities traded on the NASDAQ system. 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.*

Eric's Blog

Five New Year's resolutions for your finances

Instead of hauling out those familiar New Year's resolutions about eating less and exercising more, how about focusing on something that's also very good for you in the long run – and even sooner? We're talking about your financial plan – your fiscal health, if you will. The start of 2017 is a great time to review your plan and make whatever revisions might be indicated. With that in mind, here are five suggested resolutions that, if followed, will go a long ways toward helping to ensure that your later years will be financially secure.

1. Get your balance sheet in order

You can't realistically expect to reach a goal without knowing where you're starting from. Using 12/31/16 as the effective date, update your personal balance sheet (assets versus liabilities, broadly speaking). Everything else really proceeds from this, so take the time to bring all the numbers up to date.

2. Review your budget and spending habits

How close did you come to what you had planned to spend last year? Where did you go off-track and what can you do about that? Has something fundamental changed in your life that affected your expenses, and is that a one-time item or an ongoing cost? Where can you trim expenses? Although some budget items are fixed, a sharp pencil can produce significant savings on other costs.

3. Designate and update your beneficiaries

If you don't correctly document and update your beneficiary designations, who gets what may be determined not according to your wishes, but by federal or state law, or by the default plan document used in your retirement accounts. This is especially important if something has changed in your life that could affect your beneficiaries or heirs, such as divorce, remarriage, births, deaths or your state of residence.

4. Revisit your portfolio's asset allocation

The ups and downs of the markets will affect your asset allocation over time. Appreciation in one asset class or underperformance in another can leave your portfolio with an asset allocation and risk profile that differs from what you originally intended. It's important to revisit both your current and ideal asset allocation at least annually and rebalance as needed.

*Asset allocation does not guarantee a profit nor protect against loss. The process of rebalancing may result in tax consequences.

5. Check to see if your retirement plan is on track

Many investors have delayed their retirement plans for various reasons. The important thing is to respond and determine – promptly and realistically – what changes might be needed given your current lifestyle and market environment. In evaluating the current state of your plan, don't fixate solely on a number – "We'll be fine when our retirement portfolio is worth $X" – that just isn't the way retirement works anymore, if it ever did. The truth is that retirement has a lot of moving parts that must be monitored and managed on an ongoing basis.

Since we all know that many New Year's resolutions don't survive that long, resolve to really follow through on these – and give yourself permission to spend a day lazing around watching movies and eating ice cream when you're done! Just one day, though.

The best thing about Christmas is…

Family.

We thought you might enjoy a few pictures of how some of us spend our holiday. With family and friends, cherishing every moment with the ones we love. We hope your Christmas and New Years were also filled with blessings, happiness, and joy.

AND…. It's a boy!
Joe and Melissa Jeeves are expecting their first child in May. They recently found out they are having a little boy.
A "chip off the old block".
We wish them the best!

Nicole's Kitchen – Avocado Egg Salad

Avocados seem to be all the rage right now. Here's a nice new twist on an old classic favorite.

4 hard-boiled eggs
1 large avocado, cubed
2 tablespoons mayonnaise (you can sub Greek Yogurt depending on your likes and tastes)
1 teaspoon curry
Pinch of salt and pepper

Combine all the ingredients in a large bowl and mash together with a fork. Adjust the salt/pepper/mayo to your liking. Then slap between two slices of bread or in a wrap and enjoy!

What is VAULT?

Introducing Vault. A secure online tool where you can upload, store and organize digital copies of vital documents – from financial statements and planning documents to passports and photos of valuable assets – quickly, easily and securely within Investor Access. Vault also introduces a new, simple way for you and your advisor at the Mark Aho Financial Group to collaborate by commenting on uploaded files.
Vault gives you the security of knowing your most important documents are protected – and right at your fingertips.

In Vault you'll find…

Collaboration
With the ability to download, upload and add comments to the files you place in Vault, you can work directly with us from your own computer. You can also grant access to other professionals, such as your attorney or accountant, at your discretion.

Convenience
You can view all of your most important documents inside one easy-to-use system that recognizes nearly every file type.

Security
Keeping copies of your key documents in a secure location leaves them – and you – less vulnerable.

Vault is a free and powerful tool that provides effortless collaboration, the ease of anytime access to your most important documents, and the peace of mind that comes with knowing your information is in one place under multiple layers of digital protection.

To learn more about Vault, please contact our office. To begin using this service, login to Investor Access and get started today!

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.

Once you start a working on something, don't be afraid of failure and don't abandon it. People who work sincerely are the happiest.

- Chanakya

Let us help you help those you care about. Contact us today.

Mark Aho Financial Group

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

Information developed by Broadridge, an independent third party is general in nature, is not a complete statement of all information necessary for making an investment decision, and is not a recommendation or a solicitation to buy or sell any security. Investments and strategies mentioned may not be suitable for all investors. Past performance may not be indicative of future results. Raymond James does not provide advice on tax, legal or mortgage issues. These matters should be discussed with an appropriate professional. Any opinions are those of the Mark Aho and not necessarily those of RJFS or Raymond James. Expressions of opinion are as of this date and are subject to change without notice. The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Diversification and asset allocation do not ensure a profit or protect against a loss. Investing involves risk and you may incur a profit or loss regardless of strategy selected. Rebalancing a non-retirement account could be a taxable event that may increase your tax liability.

Certified Financial Planner Board of Standards Inc. owns the certification marks CFP®, CERTIFIED FINANCIAL PLANNER™, CFP® (with plaque design)and CFP® (with flame design) in the U.S., which it awards to individuals who successfully complete CFP Board's initial and ongoing certification requirements. Investment Management Consultants Association (IMCA®) is the owner of the certification marks "CIMA®," and "Certified Investment Management Analyst®." Use of CIMA® or Certified Investment Management Analyst® signifies that the user has successfully completed IMCA's initial and ongoing credentialing requirements for investment management consultants.