POLARIS
WEALTH ADVISORY GROUP

The Polaris Perspective

For more information or to schedule an introductory consultation contact us at: info@polariswealth.com I (800) 268-9046 I www.polariswealth.com

MARKET UPDATE
No Cause for Alarm

Part of my job as the Chief Investment Officer of Polaris Wealth Advisers is to keep you informed and educated as to what is going on with your investments and the markets overall. As we've discussed in several educational e-mails, the markets don't go straight up. Corrections are part of investing. The depth and duration of these corrections vary but the historical norm is for the stock market to have three 5% corrections per year and one 10% correction per year. Larger corrections, those that are 20% or more, occur every three and a half years. So far this year we've had a 5% correction in the first quarter and a milder 3.5% decline in July. In both cases, the S&P 500 rebounded after a few weeks of decline and made new highs.

Currently, the stock markets have been declining since September 18th. The S&P 500, as of yesterday's close, was down 4.13% from our September highs. Many investors use the S&P 500 as a barometer for insights into the market, but in doing so often misgauge the bigger picture. The Russell 2000, the most used small-cap index, and the EAFE Index, the most commonly used international index, were both down almost 8% from September's high as of yesterday's close. Value stocks have been declining more than growth stocks during this decline, which is unusual for most corrections regardless of the size of the decline.

What We've Already Done, And What We Plan To Do Soon:

All of our stock portfolios, due to the more dynamic style of the strategies, are severely underweighted to the market. And while we have definitely taken some bumps and bruises, we have been well positioned by not being fully invested for any risk level. Our Dividend Income stock strategy, which typically would hold a 70% equity exposure based upon our current technical indicators, is at 50% equity. Our Dividend 100 stock strategy, which would typically be 100% invested in stocks, is currently allocated 60% in stocks. Our Socially Responsible stock strategy, which would typically be 100% invested in stocks, is allocated with 54% stocks. All of our ETF strategies are 10% underweighted to full stock market exposure. We have removed stocks that are being affected by the rise in the dollar (mostly energy and material companies) and we replaced our materials ETF with a financial ETF.

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The reason our long-term outlook for the market remains bullish rests in the assimilation of proprietary and public financial data. The United States economy is solid and growing. There are no signs of a recession. Inflation is under control and unemployment has dramatically improved. Our markets, while not cheap, are not overvalued. This most recent correction is not a result of any changes in these readings. In fact, the most recent data has shown further improvement in most categories. All of this suggests that the current pull back is temporary.

We remain ever vigilant to the risks in the market and will continue to manage your investments in a clinical, strategic, and tactical manner. While it is never pleasant to take a step back when trying to accomplish your long-term financial goals, we are well positioned to take advantage of this pull back with the intent to strategically reinvest once the markets have clearly shown that they are on an upward trend.

As always, please feel free to comment or ask me questions.

Sincerely,

Jeff