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If you would like to receive our newsletter electronically, please contact Jessica Holcomb at (513) 561-6640.

Review & Outlook

Market Notes

The second quarter was characterized by an increase in volatility and unimpressive returns for most asset classes. Investors worried over Chinese stocks which suffered a 20% drop in the second quarter. The headlines also focused on Greek and Puerto Rican defaults despite continued strength in established international markets. Bond liquidity fears were perpetuated as banks continued to reduce their inventories ahead of projected increases in interest rates later this year.

The S&P 500 made some progress during the quarter, but gave up those gains as June came to a close, leaving the index with a small 1.2% return for the year. The Dow Jones Industrial Average (DJIA) was flat while small-cap stocks had a good run with a gain of 4.8% year-to-date.

Some asset classes have seen strong reversals since last year. For instance, the worst per-

forming asset class last year, the EAFE- established international stock index, is this year's strongest performing asset class. Alternatively, the REIT index has had the worst performance so far at -5.4% but was the best performer last year.

Here are the numbers through June 30:

Benchmark Returns as of June 30, 2015		
	QTR	YTD
Blended Equity (includes next 4 indices):	0.5%	2.6%
S&P 500 - large US stocks (60%)	0.3%	1.2%
Russell 2000 - small stocks (15%)	0.4%	4.8%
EAFE - established intl stocks (15%)	0.6%	5.5%
MSCI Emerging Markets Free (10%)	0.7%	3.0%
Dow Jones Industrial Average	-0.3%	0.0%
Merrill Lynch US Master (txbl. bonds)	-1.7%	-0.1%
Merrill Lynch Municipals 1-12 years	-0.5%	0.2%
NAREIT Equity REIT Index	-9.1%	-5.4%

Identity Theft Update by Joe Patterson, CFP®

Take a glance through recent headlines and chances are you will find that yet another large corporation has been the victim of a cyberattack. According to the Identity Theft Resource Center (www.idtheftcenter.org), through mid-July of this year alone there have been 424 data breaches compromising more than 129 million consumer records! Whether it is high-tech, large-scale attacks on Fortune 500 companies, email phishing, or low-tech phone fraud schemes, it is more important than ever to be vigilant in monitoring and protecting your credit and personal information.

At Foster & Motley, we take your personal information seriously. All employees vigilantly monitor for suspicious email or account activity. We communicate sensitive information through our encrypted online client vault. Schwab, our trusted custodian partner, has created *SchwabSafe™* which is a collection of additional security measures designed to keep your personal and financial information safe.

Consider the following practical steps to protect yourself against identity theft:

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"...through mid-July of this year alone there have been 424 data breaches compromising more than 129 million consumer records!"

"If you think you may be a victim of identity fraud, act quickly!"

"Headlines...can be attention grabbing....broad diversification ...will overcome these risks."

Identity Theft Update, continued....

Be wary of emails or phone calls requesting personal information: The IRS and financial institutions will never request sensitive personal information via email. If you receive a suspicious email, do not respond to it or click on any link. If you receive a suspicious phone call, hang up and call the financial institution in question directly.

Review your free credit report annually: Federal law requires the three nationwide consumer credit reporting companies-Equifax, Experian and TransUnion - to provide you with a free credit report every 12 months. Take advantage of this! If you find something inaccurate, contact the credit agency and the provider for the account in question immediately.

Never carry your social security number with you: Keep your social security card locked in a secure location.

Shred documents with sensitive information. Do not leave documents with personal information in open areas at home or at work. Secure documents you wish to maintain, and shred the rest. We can even shred

documents on your behalf.

Create a strong password for your online accounts: Include a combination of upper and lower case letters, numbers, and symbols. Use a unique password for each financial institution. Consider using a password manager program such as 1Password or Keeper.

Secure your wireless network: An open network is an easy path for thieves to gain entry to personal information on your computer and devices connected to your home network. Enable your wireless router's security function and choose a strong password to grant access to trusted users.

If you think you may be a victim of identity fraud, act quickly! Call your Foster & Motley team as well as your bank, credit card companies, and Schwab.

Additional identity theft resources: FTC Consumer Privacy website (www.consumer.ftc.gov/topics/privacy-identity) and the Identity Theft Resource Center (www.idtheftcenter.org).

In the News, by Zach Horn, CFP® & John Melville, CFA

Headlines have been dominated lately by one debt crisis after another including those of Puerto Rico and Greece. The Governor of Puerto Rico recently told the New York Times, "The debt is not payable". Puerto Rico owes about \$20,000 per person living in the territory and it has been in a recession for nine years. Greek debt is at 180% of GDP, which is unsustainable. The kabuki dance Greece is playing with the EU regarding bailout demands is not about fixing the problem, it's about maintaining the fiction that

Greek debt will be repaid. After all, it's not a default until the lenders admit it!

These two examples of debt-gone-wild have not been lacking in media coverage. Markets swing with every change to the Greek bailout situation and investors are nervous. Our advice is to take a deep breath... and turn off the news. We agree that these are concerning issues, but they need to be put in perspective. Puerto Rico's debt crisis may well have a ripple effect on the municipal bond market, but

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The Value Style, by Mark Motley, CFA

Most investment management is in either the “value” or “growth” styles. Value investing seeks stocks trading at less than “intrinsic value” (generally, value investors own stocks with lower price to earnings ratios than the market). Growth investing seeks stocks with superior growth prospects, typically irrespective of concern for valuation.

Our process is neither strictly value nor growth, we combine elements of each: yield, growth, valuation, and quality. However, with two value components (P/E and dividend yield) and one growth component (long term estimated earnings growth), our process has much more in common with the value style.

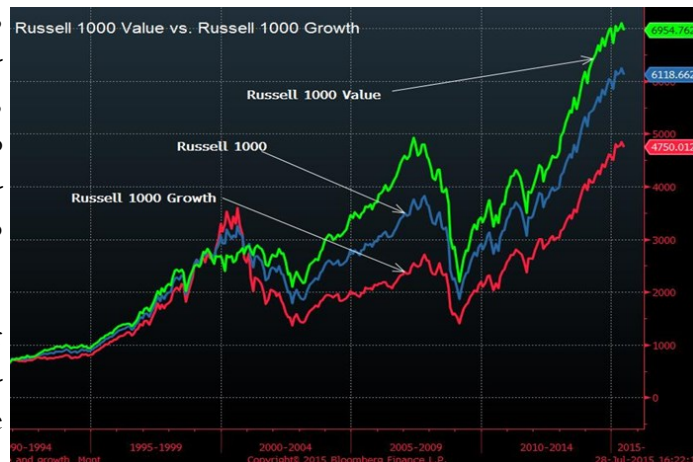
That’s good because in the long run, value has outperformed both growth and the stock market as a whole. As one measure, from its 1979 inception through 6/30/15, the Russell 1000 Value Index outperformed the market - in this case, the Russell 1000 Index - by 0.4% per year, and outperformed the Russell 1000 Growth index by 1.2 % per year.

But value doesn't outperform over all shorter periods. It underperformed significantly in the late 1990s and by lesser amounts in sev-

eral other multi-year periods as well.

We mention this because the Russell 1000 Value Index underperformed the S&P 500 Index by 2.1% per year over the two years ending 6/30/15. That trend accelerated in 2015 as the Russell 1000 Value Index lagged the S&P 500 by a whopping 4.7% this year through 6/30 (and it lagged the Russell 1000 Growth Index by over 9% this year as well).

This should give you a better sense of the headwinds currently facing our investment process for stocks. Such episodes have happened before and have always been resolved by a healthy “snap back” in relative performance of our stocks when markets turn. The past two years are not unusual and do nothing to deter us from sticking with a process that stacks the odds in our favor to deliver superior long term results.



“...in the long run, value has outperformed both growth and the stock market as a whole.”

“...value doesn’t outperform over all shorter periods...[t]he Russell 1000 Value Index lagged the S & P 500 by...4.7% this year...”

In the News, continued...

mainland states are in much better condition than Puerto Rico with its massive debt and unemployment problems. Greece’s mess may pose a threat of contagion to other EU countries, but we are talking about a tiny economy about half the size of Ohio. Even within Eu-

rope, Greece has a small footprint, representing less than 2% of GDP of the Eurozone. Headlines and wild market reactions can be attention grabbing but remember that broad diversification with a long-term investment focus will overcome these risks.

New Employee Spotlights

We are pleased to announce the addition of two new employees to the firm: **Joe Patterson, CFP**, and **Emilie Geiler**.

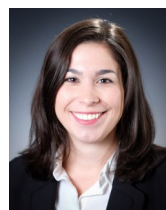
Joe Patterson, a lifelong Cincinnati resident, joined the firm as a Financial Planner. He graduated Xavier University in 2004 with a bachelor's degree in Economics and Classical Humanities. From



2005 to 2006 Joe served as a Senior Client Support Associate at Fidelity Investments in Covington, Kentucky. From 2006 to 2015, he worked for Johnson Investment Counsel. He worked with high-net worth clients as a portfolio manager, focusing on holistic wealth planning strategies and investment management. In 2012, Joe completed the Xavier University Executive Certificate in Financial Planning, and earned the Certified Financial Planner (CFP®) designation that same year. Joe

resides in Madeira with his wife, and their two sons.

Emilie Geiler joined the firm as an Associate Financial Planner. Emilie is a native of Cincinnati, earning a Bachelor's of Science and a Minor in Business Administration from the University of Cincinnati in 2012. In 2013, Emilie attained a Masters of Accounting, also from the University of Cincinnati. After graduation, Emilie



worked in public accounting where she had an area of concentration in manufacturing and foreign taxation. She is currently working toward her CPA designation. Emilie cur-

rently resides in Western Hills. In her free time, she enjoys going to the park with her dog Jack, reading, and spending time with friends and family.

Welcome Joe and Emilie!

News and Notes

Congratulations to **Brad Soper**, MBA, CPA, on passing Level II of the CFA (Chartered Financial Analyst) exam. In order to earn the CFA designation, candidates must complete 3 levels of exams (mostly offered once a year), meet professional conduct criteria, and have 4 years of relevant work experience. One more exam to go Brad—congratulations!

Foster & Motley was recently named to the Financial Times 300 Top Registered Investment Advisers. The ranking was

based on assets under management, growth rate of assets, firm's years of experience, compliance record, industry certifications (CFA, CFP, etc.), and online accessibility.

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