UNGER & ASSOCIATES
INVESTMENT MANAGEMENT

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I have been practicing as a Certified Financial Planner™ and Investment Consultant for over 25 years. I have developed specific processes for helping clients with their financial goals and developing investment portfolios. I would like to focus on my unique process that I use to develop your investment portfolio.

First, we must realize that change is constant and that adapting your investment portfolio to changing conditions is of utmost importance.

Macro-economic analysis, fundamental analysis, and technical analysis are the core drivers of portfolio development. Event driven cause and effect simulations are applied to determine potential risks to overall market conditions. This risk analysis is imperative to reducing risk in your investment portfolio.

The purpose of investment is to obtain the greatest rate of return, while minimizing risk. Obviously easier said than done. The consistent use of a prudent investment process helps with the risk management portion of investment management.

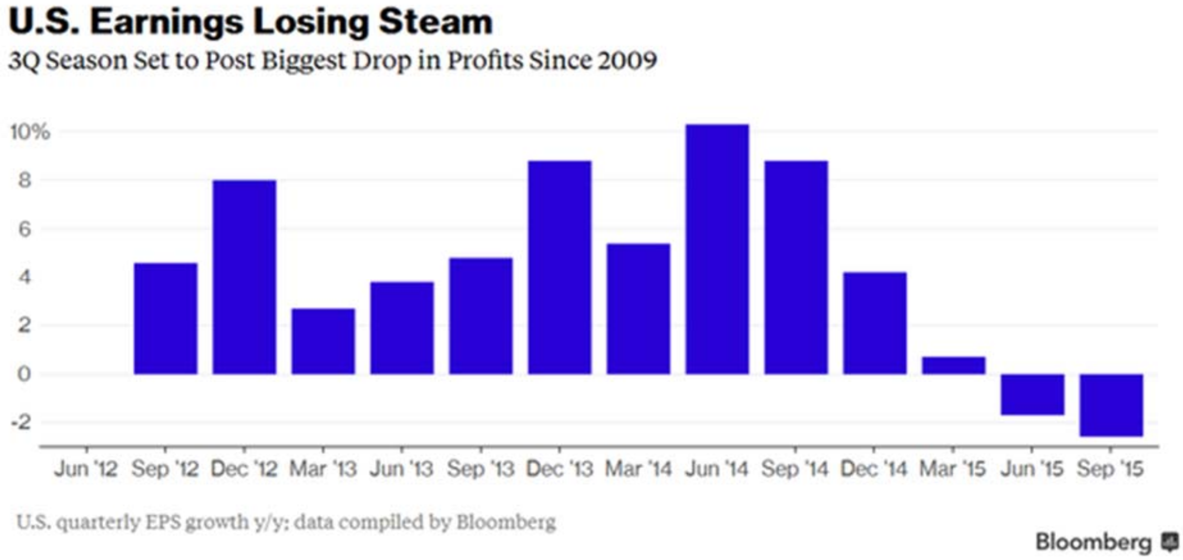
Macro-economic analysis: Employment data, GDP, retail sales, industrial production, inventories and US Manufacturers new orders are a few data points of many that I analysis. Rate of Change is the important issue when looking at economic data. Simply if “Rate of Change” is positive then the economy is expanding, if negative then contracting. This is why this is the first step to my unique process. If you get “Rate of Change” right you get a lot of things right.

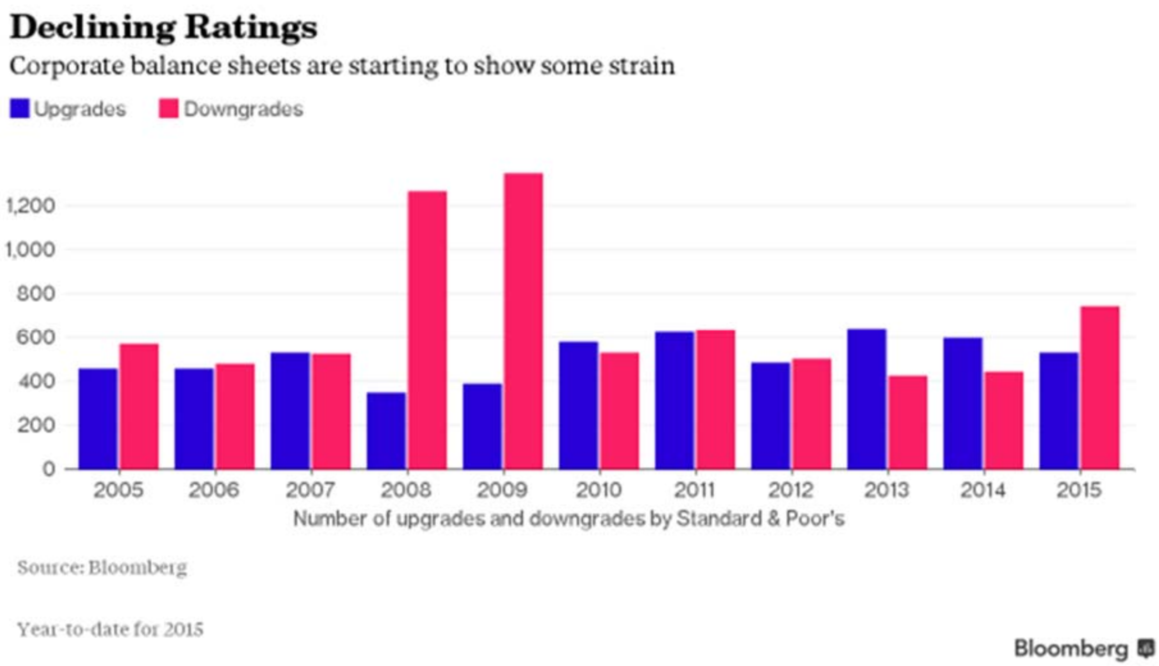
Fundamental analysis: Whether examining a specific company, industry or sector this analysis deals with metrics such as sales growth, price to earnings, revenue growth just to name a few. Again “Rate of Change” is critical to this analysis. Get “Rate of Change” right you get a lot of things right.

Technical analysis: This analysis is what I would refer to the X-Ray confirming the previous macro & fundamental analysis. Chart analysis can help confirm the analysis done through a picture effectively. Charts are also helpful in my one on one meetings to give a picture to complex topics. This analysis confirms “Rate of Change”.

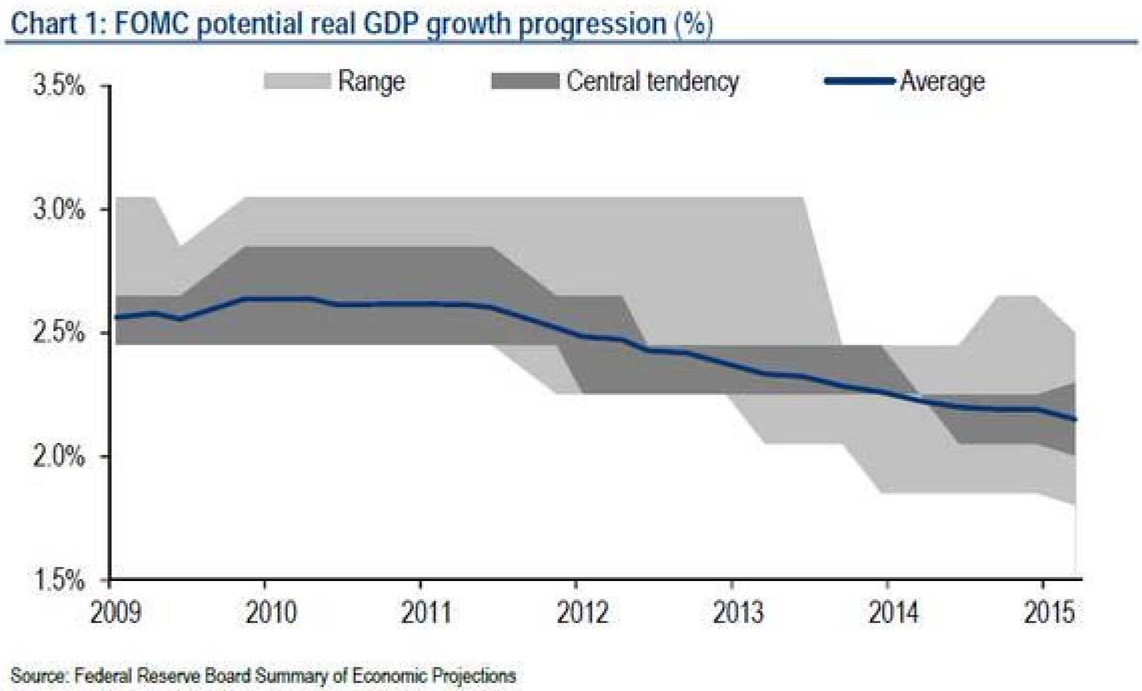
Event driven: This type of analysis is used for potential cause and effect possibilities. We will call it “Game Theory”. If X happens, then = Y. If Z happens, then XY. Example: If the Fed raises rate then? No one conclusion will ever be certain in this event driven analysis, but as a number of events start to fall one after another as they did in the financial crisis of 2008 one can take preventative steps to minimize risk. It is important to be constantly looking for potential risk in the financial markets and economy.

Let’s begin to look at some of the data that we face today.

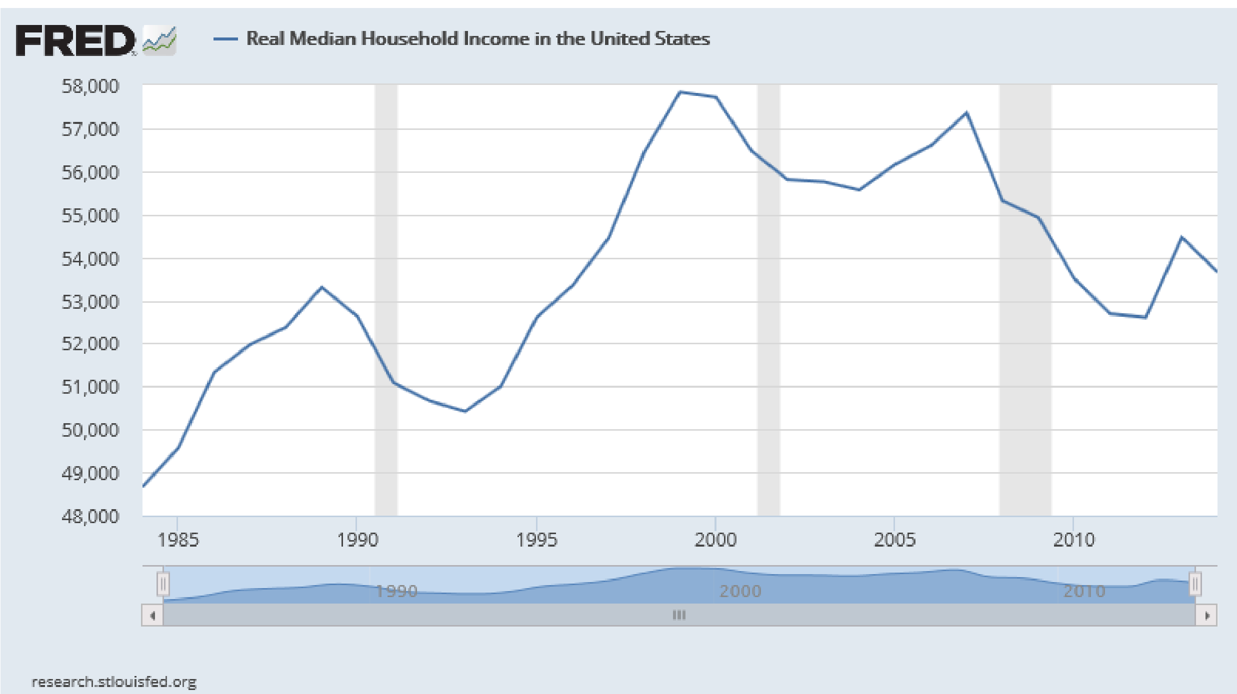




From a “Rate of Change” perspective, these charts seems to indicate that equities may be overvalued. Again if revenues and earnings are declining hard for me to pay higher and higher prices for stocks.

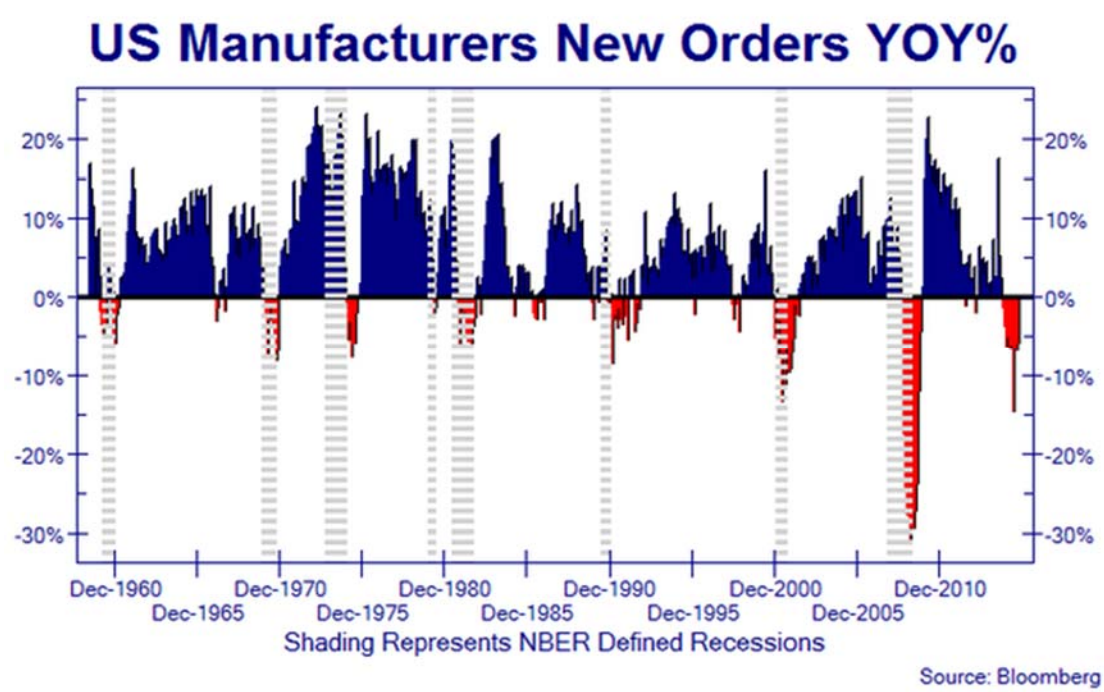


The chart above seem to indicate that economic growth is slowing not accelerating.



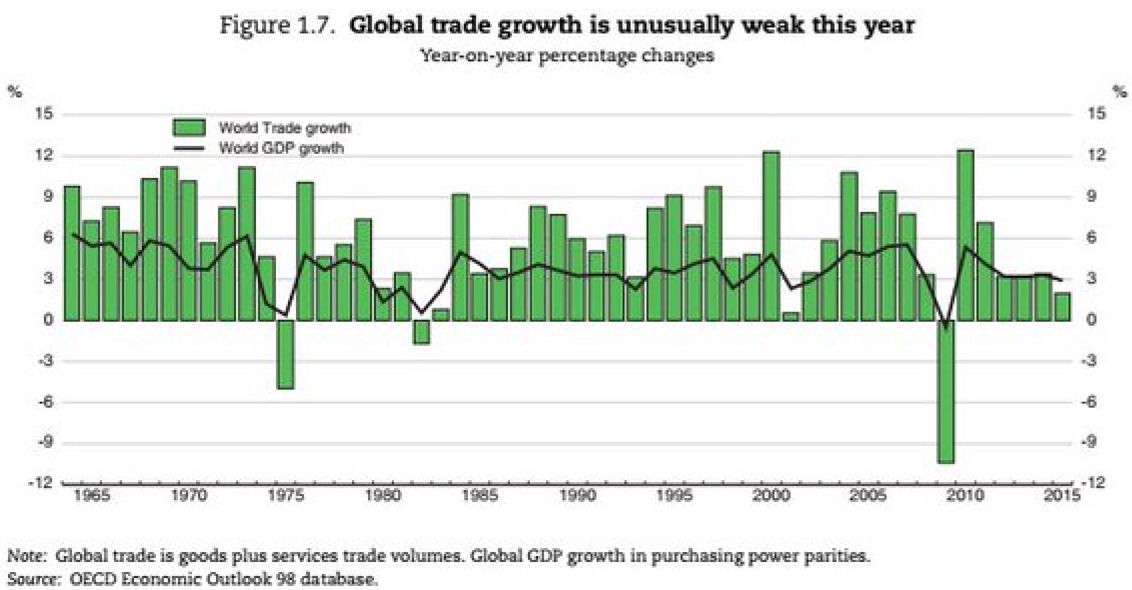
Wages seem to be on a decelerating path, not a sign of inflation.

Even though the most recent jobs report was a beat based on what was expected, the analysis seems to be that we are in the late cycle of job growth and the chart above is only one data point to my conclusion on late cycle job growth.



New orders are indicating that we are heading for recession not the next segment of an economic expansion.

ISM's manufacturing index dips to 50.1, the lowest level since May 2013.



Much has been discussed about the actual growth of the China economy. The chart above certainly seems to indicate that the world economy is slowing not expanding.

If you were to have trusted the economic growth forecasts of the International Monetary Fund (IMF), World Bank and Organization for Economic Cooperation and Development (OECD) over the last several years you would have been drastically disappointed in the variance of forecast vs. true growth rates. It seems they have along with the Federal Reserve and investment bank economist projections have been on the high side of growth for years. An optimism bias seems to be a part of all of the economic forecasts.

I am all for being an optimistic person, but these forecasts have been wrong for a significant period of time, it is time for us to put our own "Reality Forecast" to economic growth numbers.

Conclusion:

I attempt to invest for the purpose seeking the greatest rate of return that we can with the least amount of risk as possible.

Stocks:

The stock market valuation is pricy at its current level and therefore does not look to be a good value proposition for investment at this time. If prices fall then it would be prudent to re-evaluate this asset class.

Cash:

The Zero Interest Rate Policy that the Federal Reserve has cash investments yielding next to nothing and again not a real value for investment.

Real Estate:

The yield on Real Estate Investment Trusts have been driven down due to the Zero Interest Rate Policy of the Federal Reserve. Therefore currently it appears that the price is elevated and the yield is not attractive enough to offset the risk of the underlying investment.

Commodities (Precious Metals):

Due to the Central Bank policies of Japan, China and the European Central bank, it appears that the U.S. dollar will continue to gain strength. As the dollar goes up Oil, gold and other commodities decline in value. Therefore until the dollar starts a declining trend this asset class seems unattractive.

Bonds:

Based on the fact that inflation continues to wane and economic growth certainly continues to show weakness, this indicates to me that long-dated treasury yields should continue to decline, thus making this asset class the most attractive for both rate of return and overall risk. Until Rate of Change illustrates that we should expect a rising rate environment, it is a comfortable position holding our positions in long-dated treasuries.

As always I appreciate your trust and confidence and look forward seeing you in my new office. Please contact me if you have questions or concerns.

Regards,

John D. Unger, CFP®, ChFC®, CLU®
Investment Consultant

Investing involves risks, including the loss of principal.

No strategy assures success or protects against loss.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. The economic forecasts set forth in the presentation may not develop as

predicted and there can be no guarantee that strategies promoted will be successful.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.

Investing in Real Estate Investment Trusts (REITs) involves special risks such as potential illiquidity and may not be suitable for all investors. There is no assurance that the investment objectives of this program will be attained.