Here's To Your Wealth
October, 2015

The Markets:

The third quarter was a tough one for stocks, and we received a few more comments of concern from investors than expected. Perhaps this nervousness is due to memories of the dramatic declines in the stock market that we witnessed in the tech crash of 2000 and the even broader market decline from 2007 to 2009. We understand this concern and this is why we strive to build broadly diversified portfolios. Below is some data on how tough things were in the 3rd quarter.

Higher beta (more volatile) smaller company stocks underperformed their large company counterparts. The Russell 3000 Dynamic Index was -10.55% and the Russell 3000 Defensive was -3.87%. Growth outperformed in large capitalization stocks by 3 points versus small capitalization and growth stocks. Specifically, the Russell Micro Cap Growth was -17.25% for the quarter along

Recognized by:

Financial Times
Top 401 Retirement Plan Advisor (2015)

Private Wealth Magazine
as a member of their *Inaugural All-Star Research Team (2012)*

Washington Business Journal
as one of *Washington's Premier Wealth Advisors (2011, 2012, 2013, 2014)*

NABCAP
as one of the *Top Wealth Managers* in the Washington, DC Metropolitan Region (2011, 2012, 2013, 2014)

SmartCEO Magazine
a *Money Manager Award (2015) and a Top Wealth Manager (2012)*

with the Russell 2000 Growth was -13.78%. The best performing areas were still negative for the quarter as the Russell Top 200 Growth was -4.13 % and the Russell 1000 Growth was -5.29%. There was a lot of negative performance in the 3rd quarter; however, if you are holding a diversified portfolio, you might look at your performance and be able to take some comfort from the possibility that you did not absorb the same percentage losses as these more aggressive indexes.

Much of the gains made for the year have been taken away, where every domestic Russell index was negative, ranging from -0.42% in the Russell Top 200 Growth to -10.06% in the Russell 2000 Value. Value stocks have not had a good 2015 thus far as the banks have generally been disappointing. Continued Fed policy of zero percent interest rates is hurting bank stocks, but should the Fed move to raise rates, banks may stand to benefit. If the bank stocks rally, the turn can happen quickly which is why an investor should not chase yesterday's gains. Instead, it might make better sense to stick with your long-term plan. Value and Growth stocks often have disparate performance with reversals also a part of their relative performance dance. Again, this underscores why we emphasize diversification and a broad asset allocation.

So why is the stock market down when our economic data is strong, oil prices are low, and interest rates are so accommodative? In this case, one can point to the surprise devaluation of China's currency. China is a big part of the global economic growth equation and these actions legitimized the China slowdown and the corresponding impact on the rest of the emerging markets. We continue to monitor the slowdown as well as the collapse in the commodities markets for a significant spill-over into the U.S. economy. Also, the strengthening U.S. dollar and the ambiguity in the timing of a liftoff of increasing interest rates in the U.S. continue to add to uncertainty. We believe the China slowdown will not drag the U.S. into recession. We believe the impact of lower gas prices, low inflation (which will keep interest rates lower

Consumers' Research Council of America
as one of *America's Top Financial Planners* (2010- 2014)

DC Magazine
as a *Five Star Wealth Manager* (2012)

Financial Advisor Magazine
as an *All-Star Research Manager (2012)*

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for longer), and continued global monetary stimulus in Europe, China and Japan will buoy the markets while we will maintain our current course.

This is a lot of technical talk, so if you have any questions on your portfolio just give us a call and we can discuss how you are positioned and what moves you might want to consider.

Weekly Update for the Week Ending October 9, 2015

Index	Last Week			One Month		Year-to-Date	
	Close	Net Change	% Change	Net Change	% Change	Net Change	% Change
Dow Jones Global Index	311.81	13.12	4.39%	9.10	3.01%	-9.05	-2.82%
Dow Jones Industrial Average	17084.49	612.12	3.72%	830.92	5.11%	-738.58	-4.14%
S&P 500 Index	2014.89	63.53	3.26%	72.85	3.75%	-44.01	-2.14%
Nasdaq Composite Index	4830.47	122.70	2.61%	73.94	1.55%	94.42	1.99%
S&P MidCap 400 Index	1442.46	56.38	4.07%	38.25	2.72%	-9.98	-0.69%
Russell 2000 Index	1165.36	51.24	4.60%	17.13	1.49%	-39.34	-3.27%
MSCI EAFE Index (EFA)	61.05	2.57	4.39%	1.99	3.37%	0.21	0.35%
MSCI Emerging Markets Index (EEM)	35.94	2.10	6.21%	2.95	8.94%	-3.35	-8.53%
BAML US High Yield Master II Index	1043.47	27.45	2.70%	-12.51	-1.18%	-4.71	-0.45%

Above returns exclude dividends.
Data Source: Investors FastTrack

For a complete report on all the indices, we recommend that you go to www.HanlonInvest.com and click on the Financial Professionals tab, then click on Index Performance Report on the left-hand side under the Resources section.

Quote of the Day:

No one cares about the wind that blew yesterday;
The grace of the clear moonlight is still the same as years past.

From "Watching the Moon on Mid-Autumn Day, " Bai Ju-Yi (772-846 A.D.)

Mark Avallone and the Potomac Wealth Advisors Team

Important Note: Diversification and asset allocation do not guarantee against loses. They are simply tools that attempt to reduce risk.

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added.

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*The ***Dow Jones Global Indexes (DJGI)*** is a family of international equity indexes, including world, region, and country indexes and economic sector, market sector, industry-group, and subgroup indexes created by Dow Jones Indexes a unit of Dow Jones & Company best known for the Dow Jones Industrial Average.

The indexes are constructed and weighted using market value-weighted index. They provide 95 percent market capitalization coverage of developed markets and emerging markets. More than 3000 DJGI indexes provide data on more than 5500 companies around the world. Market capitalization is float-adjusted

*The ***DJIA*** is a widely followed measurement of the stock market. The average is comprised of 30 stocks that represent leading companies in major industries.

* The ***Standard & Poor's 500*** (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

*The ***NASDAQ*** Composite Index is a market-valued weighted index, which measures all securities listed on the NASDAQ stock market.

*The ***S&P Mid Cap 400 Index*** This Standard & Poor's index serves as a barometer for the U.S. mid-cap equities sector and is the most widely followed mid-cap index in existence. To be included in the index, a stock must have a total market capitalization that ranges from roughly $750 million to $3 billion dollars. Stocks in this index represent household names from all major industries including energy, technology, healthcare, financial and manufacturing.

*The ***Russell 2000 Index*** is a small-cap stock market index of the bottom 2,000 stocks in the Russell 3000 Index
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* The ***MSCI EAFE*** Index is a stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. & Canada. It is maintained by MSCI Barra,[1] a provider of investment decision support tools; the EAFE acronym stands for **Europe, Australasia and Far East.**

* The MSCI ***Emerging Markets Index***s a float-adjusted market capitalization index that consists of indices in 21 emerging economies: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

*The **Merrill Lynch US High Yield Master II Index** (H0A0) is a commonly used benchmark index for high yieldcorporatebonds. It is administered by Merrill Lynch . The Master II is a measure of the broad high yield market, unlike the Merrill Lynch BB/B Index\ which excludes lower-rated securities.

** Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.*

**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.*

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