ARS WEALTH ADVISORS

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Table of Contents

2014 Market Returns (through 9/30/2014)

Index	
S&P 500	8.34%
Dow Jones Ind Avg	4.60%
Russell 2000	-4.41%
MSCI EAFE (Int'l Stock Index)	-1.38%
Cohen & Steers Real Estate Index	16.08%
Emerging Market Stock Index	2.43%
Barclays Bond Aggregate Index	4.10%
Dow Jones UBS Commodity Index	-5.59%

Market Review & Outlook

MARKET REVIEW & OUTLOOK

STOCK MARKET UPDATE

The third quarter marked the seventh straight quarterly gain for the stock market (S&P 500) which was up 0.6% during the quarter. This streak of seven consecutive quarterly gains is the fourth longest in history, since 1950. Given the strong market returns and low volatility that we have experienced the past three years, many investors are wondering just how much longer the stock market could keep going up without a correction. Typically, a correction is defined as a drop of 10% to 20% from a recent peak. Unfortunately, we didn't have to get too far into the fourth quarter to get an answer to that question.

Over the past few weeks, volatility has risen, daily gyrations in the market have widened and investor jitters have picked up. Until the recent drop in the Russell 2000, which is made up of small U.S. companies, no major U.S. stock index had suffered a pullback of at least 10% in the past three years. We believe that the catalyst for the recent market cor-

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rection isn't one factor but many. The economic slowdown in Europe, Asia and Latin America, as well as the geopolitical turmoil in Ukraine, the Middle East and now Hong Kong continue to weigh on the market. Add to this, Ebola as a new wild card to the story.

We continue to emphasize stocks that tend to be in more defensive sectors like healthcare and consumer staples, as well as stocks that have historically paid dividends and returned value to shareholders.

BOND MARKET UPDATE

The central bank's timetable for raising interest rates also contributed to the heightened volatility over the past few weeks. While interest rates in the US continue to sit at or near all-time lows, the rate paid by the U.S. Treasury is still higher than many "less stable" countries around the globe. This has contributed to the U.S. Dollar strengthening considerably relative to other currencies.

The Federal Reserve continues to say that the timetable for when they will begin raising interest rates will be driven by the economic data. Given the economic weakness around the world, as well as our own soft economy, we believe that the expected rise in interest rates will be further out than many currently anticipate. This should bode well for our bond exposure and interest sensitive investments.

SUMMARY

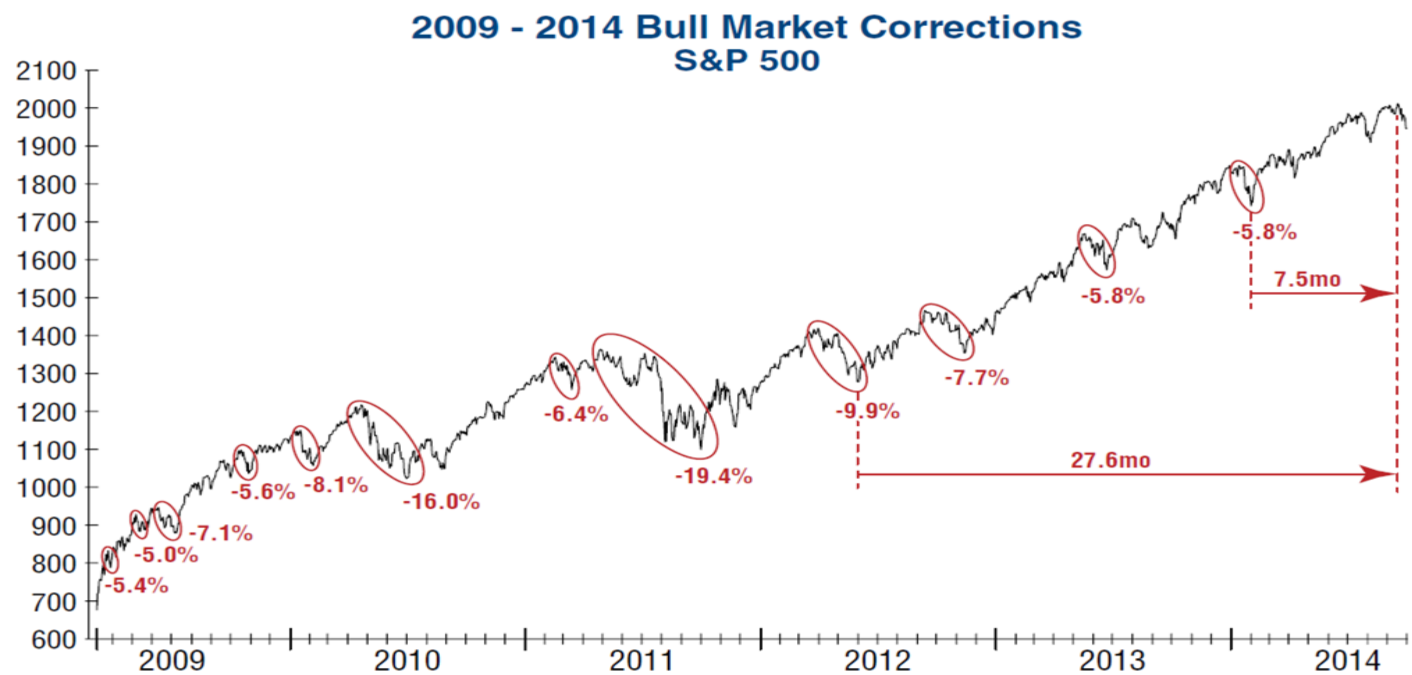
Despite the increased volatility and market weakness, we are still positive on the U.S. economy long-term. The recent correction (while unpleasant) is part of a normal market cycle, which Kurt will explain in more detail in his article below. We continue to believe strongly that taking an active approach to investing and protecting our clients' assets, focusing on quality, broad diversification and defensive sectors, will be the best way to provide conservative growth and income going forward. As always, please let us know if you have any questions or if you would like to schedule a meeting to review your particular circumstances.

Tony Anderson
President

Bull Market Corrections

Kurt Ulrich, CFA

Stock prices have fallen or "corrected" by over 5% on 13 separate occasions since March of 2009, the beginning of this current bull market. Of those 13 corrections, three were 10% or greater. It has been about 8 months since the last 5% correction and three years since the last correction greater than 10% which ended October, 2011. As you can see from the below chart (courtesy of InvesTech Research) 5% corrections occur with great regularity. Going all the way back to 1932, 5% corrections have occurred every 7 months on average and 10% corrections every 25.7 months on average. Thus, based on historical data this correction was overdue.



Corrections typically begin with some sort of an economic or geopolitical trigger. The 19.4% correction back in 2011 was triggered by a downgrade of our country's debt combined with the debt ceiling impasse in Congress. It looked pretty ugly back then and the market fell almost 20% but then proceeded to rise by over 60% the following 2 years. The trigger for this correction could be attributed to geo-political events in Russia and the Mid-East along with the Ebola Scare.

As of this writing the current correction in the S&P 500 is approaching 8% and could eas-

Bull Market Corrections (continued from page 3)

ily correct 10% or more from its recent high (mid-September). At this point, however, we don't see any need to panic or make major changes, but recognize this pullback as part of the normal market cycle. Prices ebb and flow based on investor emotion in the short-term and economic fundamentals in the long-term. Until we see a major change in the fundamentals of our economy and other reliable indicators, we will give this bull market the benefit of the doubt and remain invested. Our approach will continue to emphasize the more defensive blue chip companies, maintaining exposure to fixed income and tactical strategies to provide a well-balanced, diversified portfolio.

ARS Wealth Advisors Portal

ARS CLIENT PORTALS NOW AVAILABLE!!!

ARS is pleased to announce we now offer a convenient, secure and environmentally friendly way to access your account information through our new client portals. Not only can you review daily account activity, current holdings, up to date performance, and quarterly reports; you may also receive or send documents through the portal's secure document vault system. In an effort to help minimize the possibility of identity theft and to enhance our ability to get account specific information to you in a timely manner, we hope to continue transitioning clients onto the portal over the next few months. We also recognize that some clients are still more comfortable receiving reports via regular mail and will continue to provide this service for anyone that wishes to opt out of utilizing the client portal. If you need assistance accessing the client portal or wish to opt out, please contact Felicia Fortosis at 727-322-7681 or email felicia.fortosis@arswealth.com.

Investment Spotlight

In our last newsletter we reviewed the iShares U.S. Pharmaceuticals ETF (IHE). Another widely held ETF in our clients' portfolios is the Consumer Staples Select Sector SPDR Fund (XLP). As investors we find a lot to like with consumer staples stocks. Consumer staples companies are those that manufacture and or distribute the everyday items we all take for granted but could not imagine going without. Things such as soap (bathroom, kitchen and laundry), toothpaste, toilet paper, razors, soda, beer, cigarettes, cereal, etc. are items that we use every day. Whether the economy is vibrant and growing at 4% per year or in a recession and contracting 2% per year, we as Americans buy these items with the same general frequency. Thus consumer staples stocks are considered to be defensive in-

Investment Spotlight (continued from page 4)

vestments. They don't go up as much as the stock market in general in bull markets but certainly don't go down as much in bear markets. These kinds of companies (Proctor & Gamble, Coca-Cola, Philip Morris, Wal-Mart) are characterized by strong brand names, leading market share, free cash flow generation, consistent dividend increases and stock repurchases. As equity investors these are all positive attributes.

The Consumer Staples Select Sector SPDR Fund (XLP) is an ETF with 41 holdings, the top ten of which are: Proctor & Gamble (PG), Coca-Cola (KO), Philip Morris International (PM), Wal-Mart (WMT), CVS Health (CVS), Altria Group (MO), PepsiCo (PEP), Costco Wholesale (COST), Colgate-Palmolive (CL) and Walgreen (WAG). These ten companies make up 65% of the ETF's exposure. As a testament to its defensive nature, in the one month period ended October 14, 2014 (a time of substantial market volatility), XLP was up 0.43% while the S&P 500 had declined 5.3%. In the five years ended October 14, 2014, the S&P 500 had returned 13.82% compounded annually and XLP returned 14.70%.

Medicare Advantage

Are you ready for **Medicare Advantage** Plan Open Enrollment? If not, our office is here to help you. This year, open enrollment runs from October 15th through December 7th, 2014.

Do you have questions about your current Medicare plan, such as:

- Which benefits are not covered by Medicare Part-A, B & D?
- What are my other coverage options?
- What are the Medicare "Doughnut Hole" limits?

If you have questions or would like assistance, please contact our office directly and we can coordinate a meeting or call with Gary Smith from our affiliated insurance agency, Bayview Insurance Solutions. Bayview Insurance Solutions is here to assist our clients with all their insurance needs.

For a <u>complimentary</u> review of your current plan or to answer any questions you may have regarding Medicare Advantage please contact our office.

ARS Wealth Advisors

Mission Statement

To focus solely on meeting the unique needs of our clients and to help them prepare for life's most important financial decisions, by providing objective advice, free from conflicts of interest, based on time-tested, proven strategies. To give our clients peace of mind by placing their best interest first and always acting in a fiduciary capacity.

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If you would like a copy of the most recent version of our Form ADV Part II, one is always available to you upon written request

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