ARS WEALTH ADVISORS

Volume 11, Issue 3 July 2015

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2015 Q2 Market Returns (through 6/30/2015)

Index	
S&P 500	0.3%
Dow Jones Ind Avg	0.1%
Russell 2000	0.4%
MSCI EAFE (Int'l Stock Index)	0.6%
Cohen & Steers Real Estate Index	-10.6%
Emerging Market Stock Index	0.7%
Barclays Bond Aggregate Index	-1.7%
Dow Jones UBS Commodity Index	4.7%

ARS Nationally Recognized - CNBC Top 100

ARS Wealth Advisors was esteemed to be recognized by CNBC as one of the top fee-only wealth managers. Out of 1000's of firms nationwide, ARS ranked #32 on the 2015 top 100 advisors list. The CNBC Digital editorial team, along with Meridian-IQ, created the following ranking methodology for its Top 100 Fee-Only Wealth Management Firms rankings. Scores for each measure listed below were weighted according to a proprietary formula to arrive at a final total rank: Assets under management, Having staff with professional designations, such as a CFP or CFA, Working with third-party professionals, such as attorneys or CPAs, Average account size, Growth of assets, Years in business, Number of advisory clients, Providing advice on insurance solutions. The final step to create the Top 100 Fee-Only Wealth Management Firms list for CNBC.com was to apply the AdviceIQ Regulatory Compliance Review process to the master list and eliminate any firm that failed the RCR process. The RCR process is a due-diligence process whereby each advisory firm was compared with the RCR database of all regulatory actions from all four primary regulators: SEC, FINRA, state regulators and state insurance commissioners. In order to pass the RCR process, an advisory firm cannot have any complaints, actions or disclosures from any of the above regulators.

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ARS Nationally Recognized - Financial Times Top 300

ARS Wealth Advisors was honored to be included in the Top 300 Registered Investment Advisors list published by The Financial Times. The 2015 Financial Times Top 300 Registered Investment Advisors is an independent listing produced by the Financial Times (June, 2015). The FT 300 is based on data gathered from RIA firms, regulatory disclosures, and the FT's research. As identified by the FT, the listing reflected each practice's performance in six primary areas, including assets under management, asset growth, compliance record, years in existence, credentials and accessibility. Neither the RIA firms nor their employees pay a fee to The Financial Times in exchange for inclusion in the FT 300.

Teamwork

Tony Anderson, President

Duke University and especially the Duke University basketball team has always been a part of my life. My mom and dad both graduated from Duke and growing up as a child I spent many summers in Durham, NC visiting my grandparents, who were also closely tied to the University. One of my fondest memories as a child was getting to spend a summer with Duke's strength coach, Sonny Falcone. As a 13 year old I got to go to Cameron Indoor stadium each day and lift weights right next to the basketball players, which was an awesome opportunity to see how hard they worked. The reason I'm writing about the Duke Basketball program and their Coach Mike Krzyzewski (aka Coach K), is because there are lessons that can be learned from his team's success that can translate into other industries and teams as well, even ARS Wealth Advisors.

SIZE. One of the parallels between Duke Basketball & ARS is size. Despite being a relatively small school with an enrollment of only 14,850 students, Duke is recognized as one of college basketball's powerhouse programs winning 5 National Championships over the past few decades. Despite our relatively small size, ARS has been recognized as one of the Top Wealth Advisory firms in the country. Recently, we made CNBC's list of Top 100 Fee-Only Wealth Managers in America. In June, we also were listed in the Financial Times 2015 ranking of the Top 300 Financial Advisers. (You can find more detail about these recognitions in the newsletter.)

TEAMWORK. Another hallmark of a Coach-K basketball team is teamwork. Duke's basketball team recruits the best-of-the-best and despite having many all-stars Coach-K demands that his players have a "team first" attitude. This also mirrors the team approach we have at ARS. Everything we do at ARS is done as a team and we would not be as successful if it weren't for the combined efforts of everyone (Lois, Kurt, Felicia, Mike, Tammy, Jennifer, and Drew) involved. I'm very fortunate to have the opportunity to work with the team of all-stars we have at ARS.

Teamwork (continued from page 2)

FUNDAMENTALS. The third area of similarity is a focus on fundamentals. Duke University's basketball teams are always characterized as being fundamentally sound. A large part of Duke's success is attributed to their fundamentals (minimizing turnovers, making free-throws, etc.). At ARS we also focus on the fundamentals. We place a tremendous amount of effort and energy into making sure that we do the "little things" right.

ADAPT TO CHANGE. The fourth and possibly the most important area is the willingness to adapt to change. Over the past couple of decades college basketball has seen tremendous change. One example of this is players who leave college early (usually after only one or two years) for the NBA. As such, Coach K has had to adapt his style of coaching over the years to match the current environment. This is also true in the Financial Services industry. With advancements in technology, the globalization of markets, and an ever increasing range of investment vehicles, it has required us to also adapt and change over the years. As such we have made it a point to make sure that we stay current on the ever-changing investment landscape and marketplace.

Over the past six months we have seen the market returns stagnate while the volatility has increased. While this doesn't make an easy recipe for investing, we recognize that it is the nature of the market that we live in. Please take a few moments to read the rest of the newsletter as there are articles describing the current market environment and our outlook going forward, as well as articles explaining our decision to sell the Loomis Sayles Strategic Income Fund (NEZYX) and to reduce the iShares Pharmaceuticals ETF (IHE).

As always we are incredibly grateful for our clients and are working tirelessly to make sure that we do our best to help you reach your goals and protect your wealth. If you have questions about your accounts or any financial matters, please feel free to contact our office. If you would like to schedule a meeting to review your portfolios or your current circumstances contact us to schedule an appointment. Also, if you have any suggestions for ways we can improve our level of service or feedback on how we can do better please feel free to contact me directly at 727-322-7681 or tony.anderson@arswealth.com. Our success would not be possible without the vision and hard work of our employees and the continued support of clients like you. On behalf of everyone at ARS Wealth Advisors, thank you for being a valued client.

Sincerely, Tony Anderson

Second Quarter 2015 Market Review

Kurt Ulrich, CFA

Through 2014 stock returns were much greater than average since the 2009 bear market with volatility much less than average. However, thus far in 2015 returns have been flat to down for stocks and volatility has increased. Bonds have also experienced lower returns and higher volatility. Overall, most asset classes have had lackluster performance.

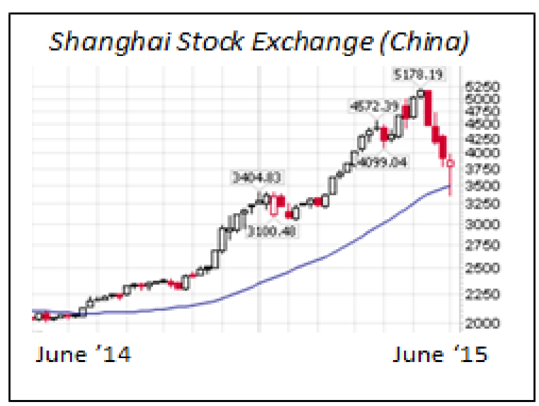
Second Quarter 2015 Market Review (continued from page 3)

Why? Stock market valuations are impacted by earnings and interest rates. Earnings have come under pressure for two major reasons - oil prices crashed reducing energy-related earnings and the strengthening dollar lowered earnings for most multi-national companies. This earnings reduction has impacted valuations. Interest rates have also impacted valuations the past few months with the yield on the 10 year Treasury rising from 1.7% up to 2.4%. These two factors combined with geo-political issues outside the US (Greece/ Euro and China) have had a discernible influence on stock and bond prices.

At this point we don't believe a bear market is about to begin but this 6 year old bull market could be in its latter stages based on historical precedence. Since 2009 US stocks have had the wind at their back as a result of extremely accommodative monetary policy. In other words, the Federal Reserve has lowered the Federal Funds rate to essentially 0%. Interest rates across the board have fallen to the lowest levels in our county's history. The days of 4% to 5% CDs are long gone.

When the government manipulates markets, in this case interest rates, there are always unintended consequences. Investors demand a reasonable return based on an assumed level of risk. Thus, when returns are inadequate investors look elsewhere. In this case, with CDs and high quality bonds paying so little, income-oriented, risk-averse investors have moved up the risk spectrum to stocks and high-yield bonds looking for more attractive returns.

These extremely low interest rates are not only a US phenomenon but also a global phenomenon creating excessive liquidity helping spur risk-taking and huge increases in debt levels. When excessive liquidity is present for a long period of time, bubbles occur. We recently witnessed this in the Chinese stock market which soared over 150% the past year thru Mid-June then fell over 30% the following two weeks. Wow, that's extreme volatility.



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Second Quarter 2015 Market Review (continued from page 4)

The US stock bull market is now one of the longest on record over the past 80 plus years. The bond market is also near its all-time high increasing the likelihood of sub-par returns in both of these assets classes in the years ahead.

Historically, bear markets occur on a regular basis which typically pattern the economic cycle. While this economic expansion has been quite weak it is still expanding, which is far better than most other developed economies around the globe.

No one knows when the next market downturn will occur or what the trigger will be. In the last bear market the trigger was a bursting of the sub-prime bubble causing a major Wall Street firm (Lehman Brothers) to go bankrupt. This time it could be a factor outside the US…like a hard-landing in China or a complete restructuring of the Euro due to possible Greek contagion. Again, no one knows but both of these potential issues bear watching. China is by far the bigger of the two threats in terms of its potential impact on global markets.

In the meantime, to manage risk in this increasingly volatile environment ARS has positioned client's portfolios with an emphasis on high-quality, dividend growing companies that engage in more defensive industries such as consumer staples, healthcare, technology and energy transportation (pipelines). With regards to fixed income (bonds) there are still pockets of opportunities with attractive risk/reward characteristics. These are niche areas of the bond market that offer appealing returns while also mitigating much of the interest-rate risk.

Finally, other articles written by Drew Swenson and Jennifer Facini mention additional steps ARS is taking to reduce risk. All of these moves are designed to manage risk on your behalf in an environment that is becoming increasingly volatile. As things unfold in the months/years ahead our allocation to capital will continue to reflect our fiduciary responsibility to act in your best interests and manage your wealth based on your individual goals and objectives.

Trading Activity in the Second Quarter 2015

Jennifer Facini, CFP, MBA

During the last few weeks, we have begun to reduce client positions in IHE, iShares US Pharmaceuticals ETF. This exchange traded fund is comprised of various pharmaceutical companies. Johnson & Johnson, Pfizer, Merck and Allergan are a few of the larger positions within the fund. While we remain confident in the future of healthcare and pharmaceuticals, we always want to remain true to our investment principles and take gains off the table when possible. IHE has experienced staggering returns over the past 5 years, and is up 16.53% in 2015 year to date. By comparison, the S& P 500 is up 1.96% year to date (As of July 2, 2015). There are several factors that continue to provide support and upward mobility to the pharmaceutical sector namely: an increase in health care coverage due to the Affordable Health Care act, new drugs & technology, and a resurgence of research and development pipelines.

Trading Activity in the Second Quarter 2015 (continued from page 5)

This chart below illustrates the growth of IHE vs. S&P 500 over the past year.

Rebalancing your portfolio is one of the keys to successful investing over time. This tends to be one of the most overlooked investment strategies, but can have tremendous value for clients. Typically, this means selling investments that have done well and grown over time and reinvesting those funds in other portfolio holdings that have future growth potential. This allows us to hold onto some of our profits by selling and locking them in. By rebalancing our portfolio, we also manage the overall risk of the portfolio by reducing a position that may have grown quickly and now represents a larger portion of the overall allocation. Maintaining a portfolio that is in sync with our appetite for risk is the key to being able to stay invested for the long term and smooth out investment returns.

NEZYX Sale

In the second quarter of 2015 we sold clients' positions in the Loomis Sayles Strategic Income Fund (NEZYX). NEZYX is a bond fund that has a broad investment mandate and great flexibility in what it can own. Under the watch of its primary manager, Dan Fuss, a legend in the fixed income world of finance, the fund has performed extremely well. Morningstar rates NEZYX as a five star fund, Morningstar's highest rating. We started buying this fund in 2009. Over the last five years NEZYX has returned 8.2% compounded - a very good rate of return for a bond fund. For perspective, the Barclays US Aggregate Bond Index was up only 3.4% over the same time frame. However, in the past year performance has waned and the fund was down 3.7% in the prior twelve months. Admittedly it has been a tough fixed income market.

Our decision to sell was not necessarily due to the recent performance, no investment goes up every month or every year and performance has ebbs and flows. Rather the decision to sell was based on our desire to

Trading Activity in the Second Quarter 2015 (continued from page 6)

lower the risk of our fixed income holdings. Due to its flexibility, the fund had increased its holdings in foreign bonds, convertible bonds, preferred stocks and high yielding common stocks. None of those things is necessarily bad but the risk profile of the fund is going up in a time when we think interest rates are near a bottom.

In its place we invested the funds in Angel Oak Flexible Income Fund (ANFIX). We chose ANFIX for the following reasons:

- We believe the risk profile is safer as the duration (or sensitivity to rising interest rates) of ANFIX is zero versus 4.0 years for NEZYX.
- ANFIX has a higher yield than NEZYX.
- ANFIX offers more variable rate bonds in the fund. We expect rates to gradually trend higher over the next three years.

We have a great deal of confidence in the managers at Angel Oak and their expertise purchasing adjustable rate bonds.

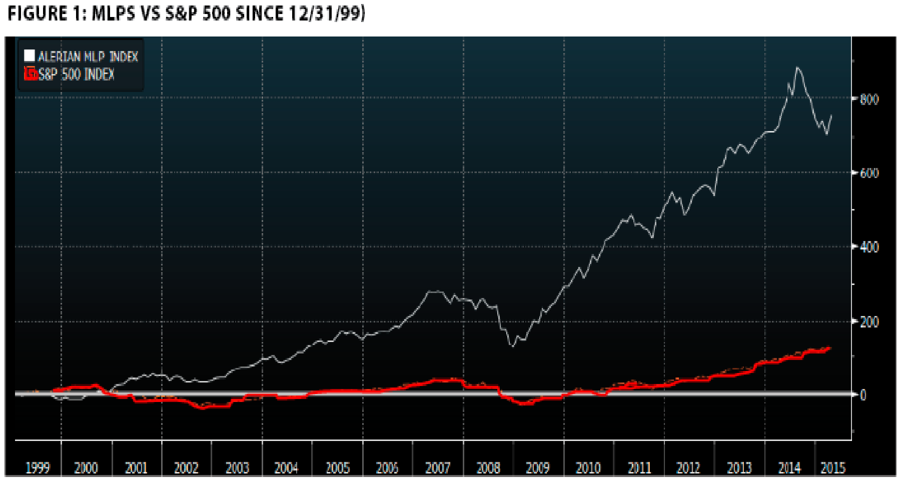
MLPI - Update

Drew Swenson

MLPI is the symbol for the UBS Alerian MLP Infrastructure ETN. It is a financial vehicle that tracks the fifty largest midstream Master Limited Partnerships. MLPI tracks 25 of the biggest midstream MLP's. As a group midstream MLP's have been one of the best performing asset classes as the chart below illustrates. The white line is the MLP index and the red line is the S&P 500 index.

However, year to date MLP's (and in turn MLPI) have underperformed the S&P 500 and have declined 12% versus a flat stock market. This poor performance is due in part to a weak energy market and a worry over higher interest rates. This type of underperformance occurred the last time energy prices collapsed in 2009 when oil went from $150 barrel to under $40. After a year or so the prices recovered. We continue to own MLPI because we expect this period of negative returns to be short lived and expect the relative outperformance to the S&P 500 to continue over the long run.

FIGURE 1: MLPS VS S&P 500 SINCE 12/31/99)



The distributions of MLPI have consistently increased more than 3% per year, thus holders have received an ever growing stream of dividends for many years. The 20 largest MLP's in MLPI (90% of value) have all either increased (15) or maintained their payouts (5) over the last six years. MLPI's current yield is 5.3%.

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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