***July 2017***

 ***SEMI-ANNUAL REVIEW:***

*Where are we? Six months have passed since the start of the year so it's time for a review.  The S&P 500, which is up 9.31% through 6/30, is the most often used indicator. But it is an imperfect indicator as it is only composed of the largest 500 stocks in the US.  It does not include any small or mid capitalization stocks, international stocks or most importantly fixed income investments.*

*Lets create a sample portfolio of 50% US Total Stock Market, up 8.99% through 6/30, comprised of 3,600 stocks of various capitalizations.  We will include 20% Total International Stock Index, up 14.79% through 6/30, comprised of 6,200 stocks from around the world, including emerging markets. Rounding out the portfolio will be 30% US Total Bond Market, which returned 2.4% through 6/30, and includes over 8,200 bonds.*

*The total return for this blended portfolio through 6/30 is 8.17%, on an annualized basis this equals 16.35%.  A great return!  But, you didn't beat the S&P 500. If your goal is to beat the S&P 500, there are many ways you could do that. You could buy a leveraged Exchange Traded Fund, designed to give you 2 to 3 times the return of the market on a single day, or you could simply buy on margin and double your exposure.  The problem is the magnified market returns work both ways.  The leveraged ETF's will lose you 2 to 3 times the decline on any given day.  With a double margin leveraged portfolio, a 25% decline in price wipes out 50% of the value of your portfolio.*

*In summary, the blended portfolio returned 8.17% over 6 months compared to 9.31% for the S&P 500.  You would have received 88% of the S&P return, with much less stock market risk and much more diversification.  The 30% Bond exposure greatly reduces volatility and Stock Market losses in a down market.  Also, through the use of Index Funds, this would be a highly tax efficient way to invest.*

*Legendary investor Warren Buffett once said, "you don't know who is swimming naked until the tide goes out!"*

PAUL ZINNO

pz03@aol.com