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Investment Review and Outlook Second Quarter 2017

The U.S. and foreign stock markets performed exceptionally well in the second quarter. U.S. large company stocks were up 3.1% (S&P 500), while small company stocks produced a return of 2.5% (Russell 2000). International stocks soared 5.0% (EAFE index), as investors were attracted by less expensive valuations, relative to the U.S., and improving European economic results. Bonds continued to roll along during the quarter with a gain of 1.4% (Barclays Aggregate Bond index).

As we look back over the first half of the year, it is notable how steadily markets have risen, despite ongoing political and geopolitical uncertainties. We believe this serves as a good reminder that over the long term, financial assets are priced and valued based on their underlying economic fundamentals—yields, earnings, growth—not on short-lived macroeconomic or political news.

Current Strategy

We are positioning portfolios based on our outlook that stocks should outperform fixed income investments over the next several years. Within the overall stock allocation, small-cap, large-cap value, and real estate are underweighted, while large-cap growth and international exposures are overweighted. On the bond side, exposures are typically allocated to short and intermediate-term holdings.

Looking ahead, we know there will inevitably be shorter-term market surprises. We believe that part of successful investing involves riding out nervous markets in which prices are driven by short-term economic news and investor emotions. Somehow, we need to stay focused on long-term fundamentals, and remaining committed to a disciplined risk-management process. Patience, discipline, and fortitude remain key to achieving one's long-term investment goals and avoiding being swept away by the market's inevitable swings.

As always, please call us anytime if you have any questions or if we can assist you in any way.

Best Regards,