The Abernathy Group II

Family Office

The Abernathy Group II Quarterly Market Review

Q3

Third Quarter 2015

Letter to Investors

October, 2015

Dear Investors,

Q3 2015 Summary and Outlook

Since the beginning of 2015, the U.S. capital markets have experienced increased volatility while going nowhere fast.

It reminds me of the Yogi Berra quote made when he was driving to visit the baseball Hall Of Fame with Joe Garagiola. When Joe Garagiola noticed they had passed the same landmark three times, he remarked, “Hey Yogi, I have seen that building 3 times, I think we are lost”. Yogi replied, “Yea I know it, but we are making good time”. In essence, current pricing of assets vacillates up and down on a daily basis, yet when looked at through the longer-term picture, for all of the movement which has taken place, the market’s current pricing is just about where it started at the beginning of the 2015 year.

That would not be so bad if it weren’t for the incessant siren call of the journalists all trying to explain yesterday’s market moves with outrageous headlines constructed to grab the reader’s attention, increase viewership, and mostly – to sell more ads. The simple reality is that markets do spend time in the equivalent of “lost”. This is a fact anyone who has studied the capital markets will readily acknowledge. When prices get a bit ahead of themselves, the market has a couple of choices. It can correct by a sell-off, which brings down the prices in line with true value, or it can vacillate and go nowhere long enough for the earnings to grow and to catch up with current prices. That is what typically happens. However, the current market is reacting to something a bit different and its worth discussing as there is likely to be an opportunity during 2016.

We are dealing with contracting earnings. Earnings contracted in 2015’s 2nd quarter, and they are set to decline again in 2015’s 3rd quarter. This will be the first back-to-back earnings announcements showing an earnings decline since 2009 and the Great Recession. Some of the journalists vying for your eyes will say this is a “trend” and it is the beginning of the end. That is the bad news.

However, there is good news. First, earnings announcements are lagging indicators. Historical earnings have no correlation with the future. Second, the earnings announcements are being overshadowed by two sectors – energy and basic materials.

During 2014, the global complex of commodities started to implode. Oil and most major industrial metals are all down 50% or more. And while this is good for consumers who use gas to get to and from work, and for companies who use metals to build cities, homes and industrial machinery, it is bad for the majority of companies who mine the ore and produce the oil. It is the negative earnings from these two large sectors (energy and basic materials) that, when averaged in with the rest of the companies making up the U.S. economy, are showing negative earnings for the 2nd and 3rd quarters of 2015. Had it not been for the negative earnings of the energy and materials sectors, U.S. earnings would have been up somewhere between 3-4% for the year.

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The good news: The U.S. economy continues to improve. Earlier this year we dealt with the Greek crisis, Russia's aggression, the Chinese slowdown and several other "headline" news events that influenced the markets. The third quarter of 2015 delivered overall negative returns due to losses at most of the energy (-65.4%) and basic materials companies (-16.9%). What most investors are not remembering is that sometime in the first half of 2016, lower oil prices and lower commodity prices will have their anniversary. This means comparisons to prices last year will re-set at the new, lower level, and each of the companies in the energy and basic materials sectors may start to show positive earnings growth. In short, the energy and basic materials markets have overshadowed the good earnings in most other sectors of our economy and sometime in the first half of 2016, that drag will be gone.

The merger and acquisition market has already picked up and is on pace to set a record in 2015. Corporate stock buybacks are also giving earnings some meaningful support. Also, as stated in our last several updates, the consumer has deleveraged. This, along with lower energy prices and low interest rates will allow the consumer to increase spending, over a multi-year period.

We are now in a period where the U.S. Federal Reserve will start its process of gently increasing interest rates. It will be slow and measured, yet over the next 3 quarters, and maybe as soon as December, the U.S. will raise rates for the first time in 8 years. We expect this to be largely a non-event as anyone with a newspaper, television, or computer, knows this. We believe the US Federal Reserve will continue to provide money to support our economy despite their initiative to increase interest rates. In short, the U.S. economy will continue to improve in 2016, if we have no significant negative global economic shocks.

Unemployment has improved to the point that we expect wages to continue increasing. Wage inflation is one of the most important precursors of inflation. We MUST watch this variable. It is incredibly difficult to have economic inflation without wage inflation. And while unemployment numbers continue to improve (this is great), the dark side of full employment is that wage growth is one of the leading indicators of inflation. When you mix very high levels of employment with very low price levels of energy and basic materials, it only takes small increases in goods and services to create some significant inflation. We are watching this development carefully.

Below, you will find our anticipated outlooks for a) Inflation; b) Interest Rates; c) Bond Market; d) Stock Market; e) Commodities Markets:

Inflation:

We expect inflation will start to become a factor if wage price inflation exceeds 3%. Over the short-term, wage increases, a very strong dollar and lower energy and basic materials pricing have offered the U.S. consumer a strong dose of "feel-good" living conditions. We expect this to continue well into 2016 and possibly longer.

Interest rates:

We believe short-term rates will be higher at some point in the next 6 months and maybe as soon as December. We do not believe this is a negative. Quite the contrary. The U.S. Federal Reserve has access to an incredible amount of data. While no one is perfect, the Governors at the U.S. Federal Reserve are incented to keep unemployment low and inflation under control.

Long-term rates for US government bonds will be higher in the next few years, but not much. Over the next 6 months we expect little change, yet the bias for interest rates to increase will be stronger than in the past, especially at the long end of the yield curve. The yield curve will continue to be positive, yet accommodative. A steep yield curve is ideal for lending institutions. As we have said in former updates, make note. If there is a negative global event, we believe U.S. currency and U.S. bonds will rise in value significantly, and yields will fall significantly. This is the most difficult part of our investment outlook to deal with, as it is almost impossible to determine the timing of a global negative event in advance.

Bond market:

The high quality bond market (i.e. government bonds) will underperform equities over the next 5 years as the current low interest rates will not provide enough yield to make up for the temporary losses in bond price depreciation. The high yield market offers a different picture and may provide returns that are competitive with the equities market. It is worth noting that the high yield market in energy and basic materials are unlikely to offer a safe harbor, as there will be defaults for companies that over-levered their balance sheets when money was easy to borrow and interest rates were very low. Our advice - investors should keep bond durations short, or own floating rate bonds tied to inflation (not LIBOR), and avoid the energy and basic materials sector.

Stock market:

We upgraded our expectations for stocks to provide returns of approximately 3%-4% in appreciation and approximately 2% in dividends, before taxes, over the next 5 years. We suggest investors continue to own a well-diversified portfolio of equities. The goal will be to avoid any single company specific risk for most investors, while taking advantage of the risk mitigation offered by a well-diversified portfolio of global equities. We continue to recommend tilting the portfolio slightly towards smaller companies as opposed to larger companies. Smaller companies tend to grow faster and have less exports as a percentage of sales. This is a positive due to the strength in the U.S. dollar because a stronger dollar makes it harder for export-oriented companies to sell goods and services abroad. As an adjunct to this strategy, for investors who have embraced the "Core-Satellite" framework of investment allocation, we also recommend companies that are undergoing change to increase their earnings and efficiency. We believe companies who depend largely on exports will be paddling upstream against the tide, as the strong U.S. dollar will be a headwind for at least the next year and maybe longer.

Commodity Market:

Commodities will provide uneven returns based on periods of uneven demand and negative market shocks, which will send prices both higher and lower. However, over the medium to long-term, wealthy investors who understand that the real threat to remaining wealthy is battling inflation, will find commodities mandatory havens which work overtime as hedges against unpredictable negative global events and inflation. Most commodities have corrected 50% or more over the last year. While we have lowered or liquidated our position in commodities during late 2014, there will be a time in the future to re-establish those positions. Most of the developed economies in the world are battling deflation, not inflation. If a negative event took place, it would likely further increase deflationary forces over the short-term, although gold may significantly appreciate during a negative global economic event due to the rush to safety. This means inflationary vehicles may not be ideal for the next 6 months to 1 year, however, we do expect inflation to become a factor over the next 5 – 10 years.

Actions warranted based on our primary assumptions:

Fixed Income:

We continue to suggest intelligent investors decrease their allocations to fixed income in general, and for those who continue to desire fixed income holdings for security, *decrease the duration of their fixed income portfolios by shortening maturities*, as interest rates are likely to begin their inevitable rise over the next 6-9 months. Fixed income investors should focus on owning “floating-rate” instruments (which have the characteristics of very short-term bonds), as well as high yield bonds, which will likely outperform other types of fixed income, as their coupons will likely outpace both inflation, and depreciating bond prices, resulting from a rise in interest rates.

Stock Market:

The current valuation of S&P is not expensive. With dividends yielding 2.2% and increasing, along with the probability of 3-4% appreciation over the next 10 years, the stock market is attractive when compared to the U.S. 10 year bond yielding only 2%. We believe most investors should be slightly overweight small companies as opposed to large companies. Rationale: The U.S. dollar strength will deliver a headwind for export related businesses and small companies typically have less exports than large companies. Additionally, because small companies have a larger percentage of sales inside the U.S., they will benefit from a stronger U.S. consumer as wages increase and energy prices remain low. Earnings momentum is likely to become a driver of returns during 2016 as the energy and basic materials companies earnings decline anniversaries itself.

Commodities Market:

Commodities remain a strategic and tactical asset for most families, as they will offer a hedge against both inflation and negative economic shocks. However, in the absence of those events, we expect commodities to offer little return. With that said, commodities in the form of energy and basic materials have had a tremendous downturn and may offer value at some point in the future. Additionally, at some point, those lowered prices will sow the seeds of inflation. For example, oil, in 2014 was approximately $100/barrel. Today it is less than $50/barrel. If oil returns to $100/barrel, the price as recently as 1 year ago, a significant component of our inflation calculation would be up 100%... And this would surely increase base inflation in any economy. When increasing commodity prices mixes with strong wage increases, we may end up with more inflation than we bargained for.

Please remember that we are investing today for the long-term. We are not trying to time markets. We are basing our advice and comments on facts and evidence of what has worked before under similar circumstances. Finally, we are embracing a globally diversified portfolio which takes advantage of the risk lowering qualities of owning thousands of securities.

After reading and digesting the comments in this communication, if you have any questions or would like us to follow any other allocations, please let us know. We stand ready to discuss any and all allocations, and we especially welcome your input as meeting your family's goals are the highest priority in our service to you.

With that said, if you have any questions you would like to discuss, please let us know.

Steven Abernathy

Chairman

The Abernathy Group II

Family Office

Brian Luster

Chief Executive Officer

The Abernathy Group II

Family Office

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Quarterly Market Review

Third Quarter 2015

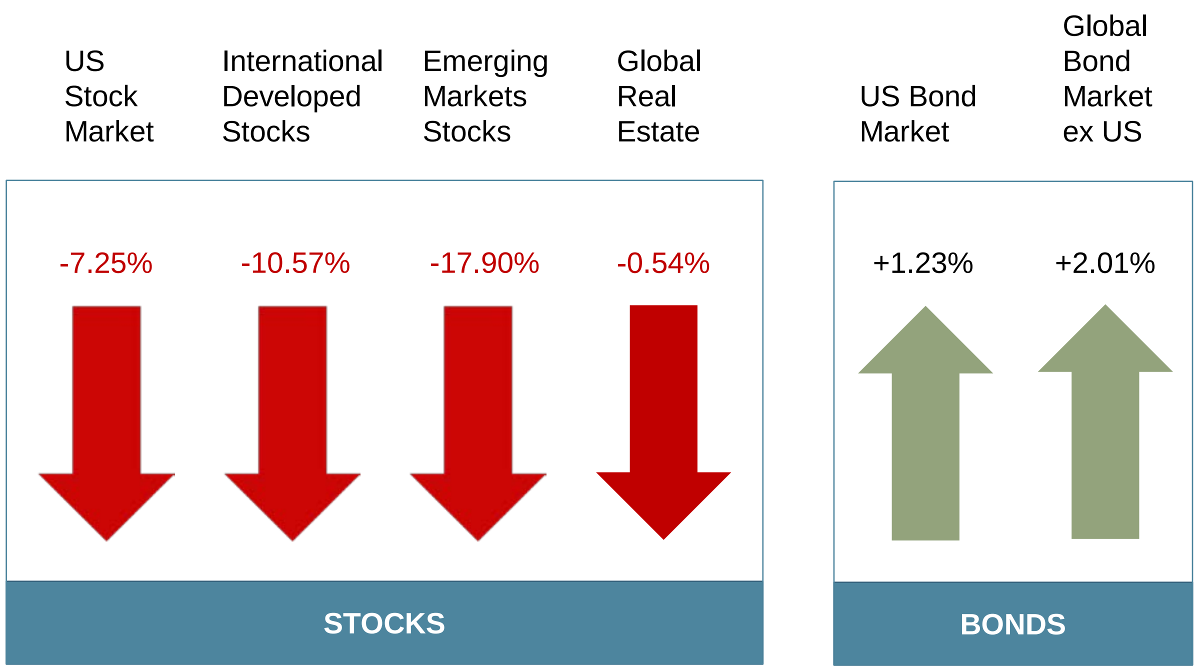
This report features world capital market performance and a timeline of events for the last quarter. It begins with a global overview, then features the returns of stock and bond asset classes in the US and international markets.

The report also illustrates the performance of globally diversified portfolios and features a quarterly topic.

Overview:

Market Summary

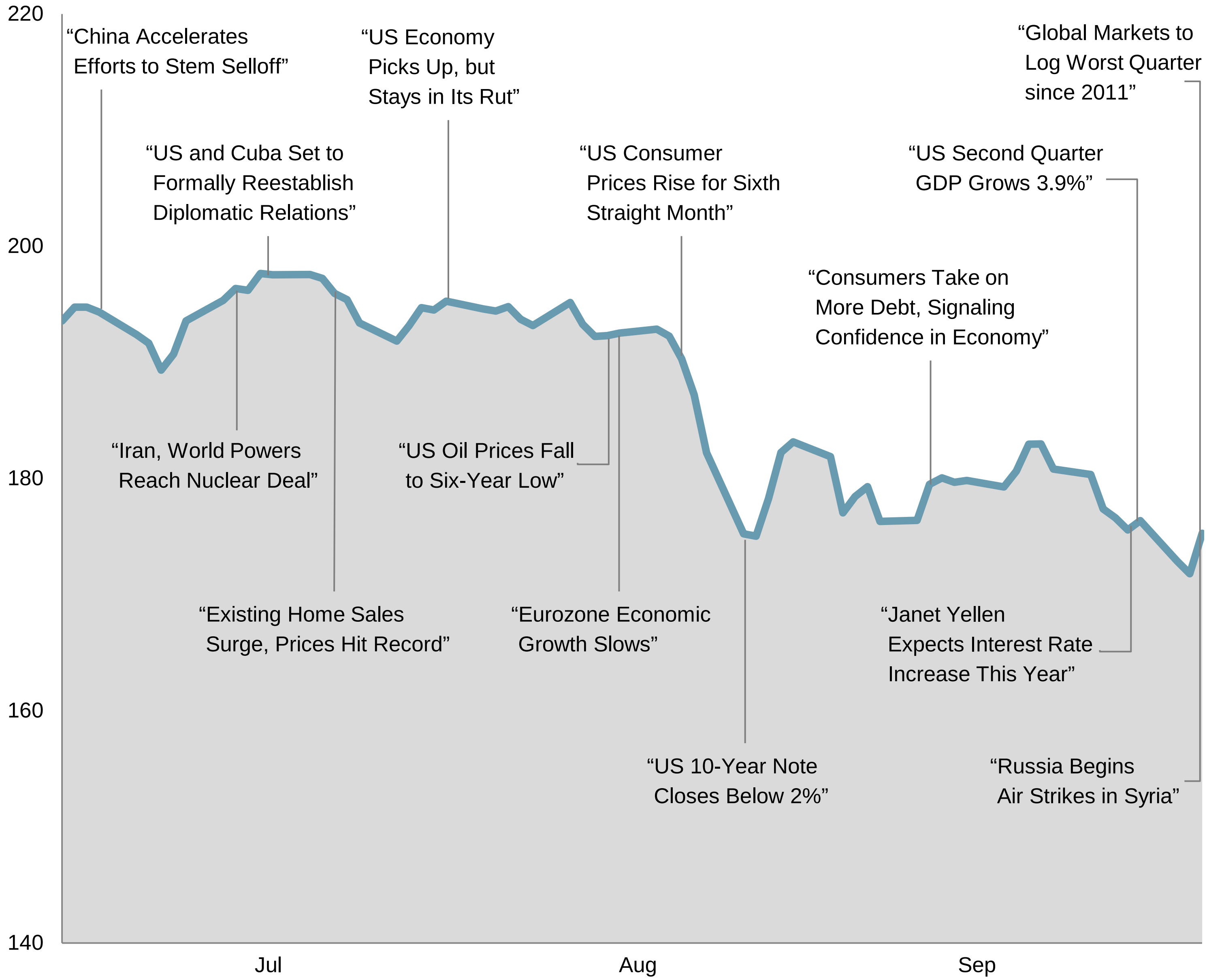
Third Quarter 2015 Index Returns



Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net div.]), Emerging Markets (MSCI Emerging Markets Index [net div.]), Global Real Estate (S&P Global REIT Index), US Bond Market (Barclays US Aggregate Bond Index), and Global Bond ex US Market (Citigroup WGBI ex USA 1−30 Years [Hedged to USD]). The S&P data are provided by Standard & Poor's Index Services Group.

World Stock Market Performance

MSCI All Country World Index with selected headlines from Q3 2015



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

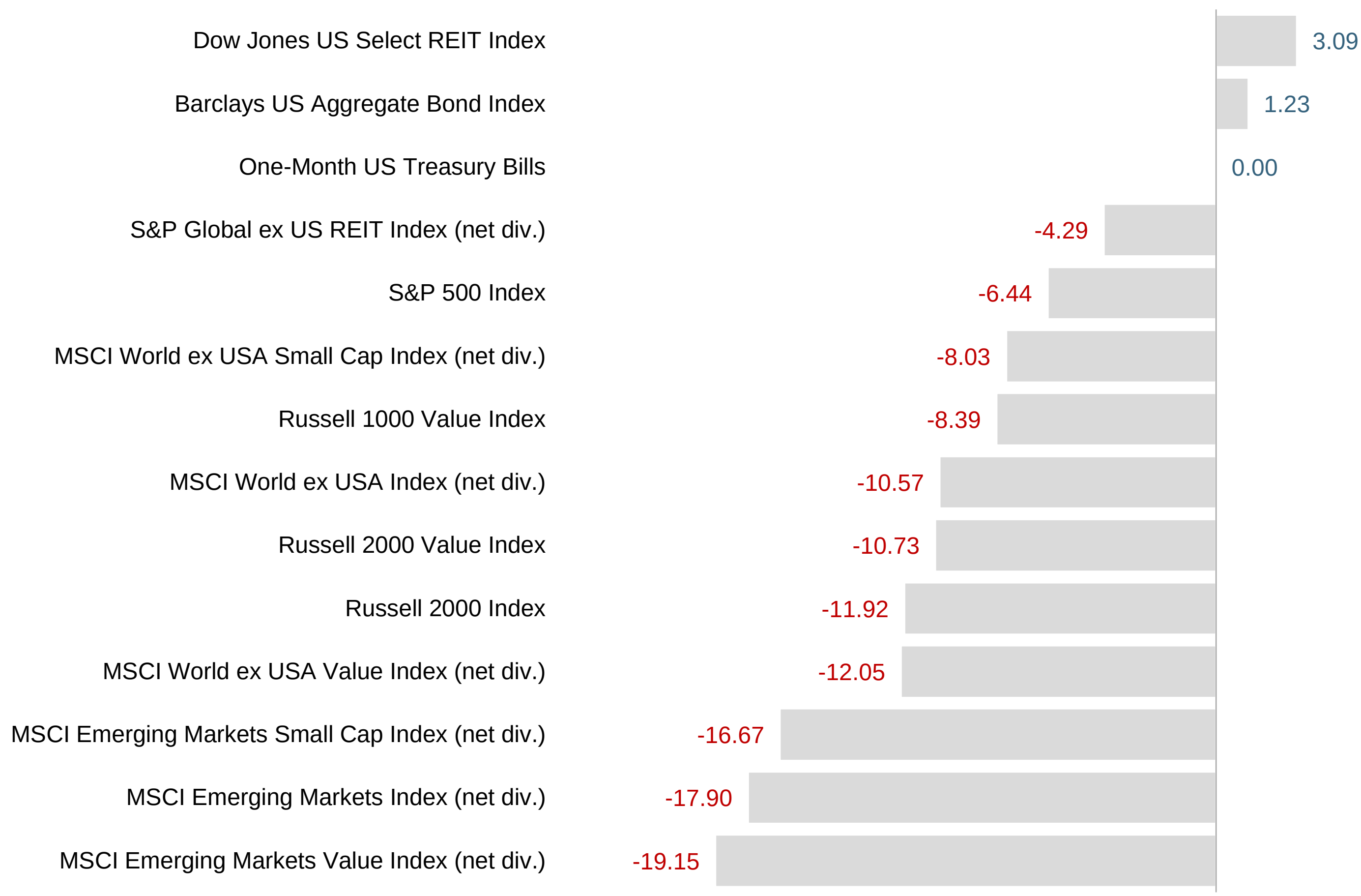
It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. Past performance is not a guarantee of future results.

World Asset Classes

Third Quarter 2015 Index Returns

Looking at broad market indices, the US equity market outperformed both developed ex US and emerging markets during the third quarter. US REITs recorded the highest returns, outperforming equity markets.

The value effect was negative in the US, developed ex US, and emerging markets. Small caps outperformed large caps in the non-US and emerging markets but underperformed in the US. The US dollar appreciated against most currencies.



US Stocks

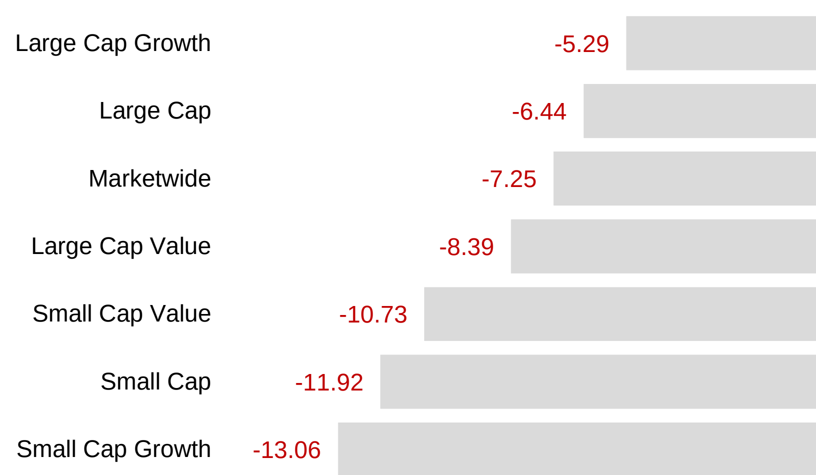
Third Quarter 2015 Index Returns

The US equity market recorded negative performance for the third quarter.

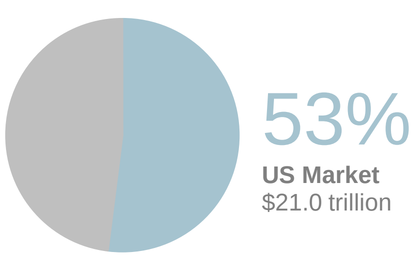
Small caps underperformed large caps.

Value stocks underperformed growth stocks among marketwide indices. However, in small caps, the effect was reversed with small cap value outperforming small cap growth.

Ranked Returns for the Quarter (%)



World Market Capitalization—US



Period Returns (%)

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Marketwide	-5.45	-0.05	12.53	13.28	6.92
Large Cap	-5.29	-0.61	12.40	13.34	6.80
Large Cap Value	-8.96	-4.42	11.59	12.29	5.71
Large Cap Growth	-1.54	3.17	13.61	14.47	8.09
Small Cap	-7.73	1.25	11.02	11.73	6.55
Small Cap Value	-10.06	-1.60	9.18	10.17	5.35
Small Cap Growth	-5.47	4.04	12.85	13.26	7.67

** Annualized*

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Marketwide (Russell 3000 Index), Large Cap (S&P 500 Index), Large Cap Value (Russell 1000 Value Index), Large Cap Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Cap Value (Russell 2000 Value Index), and Small Cap Growth (Russell 2000 Growth Index). World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. Russell 3000 Index is used as the proxy for the US market. The S&P data are provided by Standard & Poor's Index Services Group.

International Developed Stocks

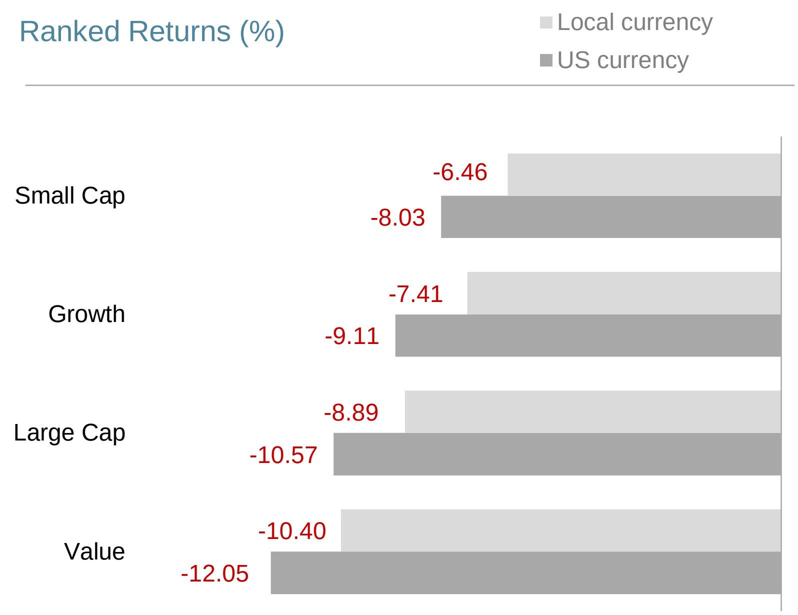
Third Quarter 2015 Index Returns

Developed markets outside the US underperformed the US equity market but outperformed emerging markets indices in US dollar terms.

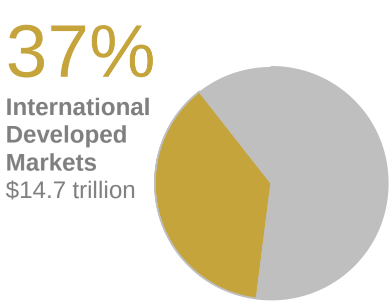
Small caps outperformed large caps.

Value underperformed growth indices across all size ranges.

Ranked Returns (%)



World Market Capitalization—International Developed



Period Returns (%)

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	-6.69	-10.14	4.60	3.42	2.92
Small Cap	-0.34	-3.71	7.48	5.74	4.23
Value	-9.65	-14.32	3.56	2.61	2.12
Growth	-3.75	-5.88	5.59	4.18	3.65

** Annualized*

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Emerging Markets Stocks

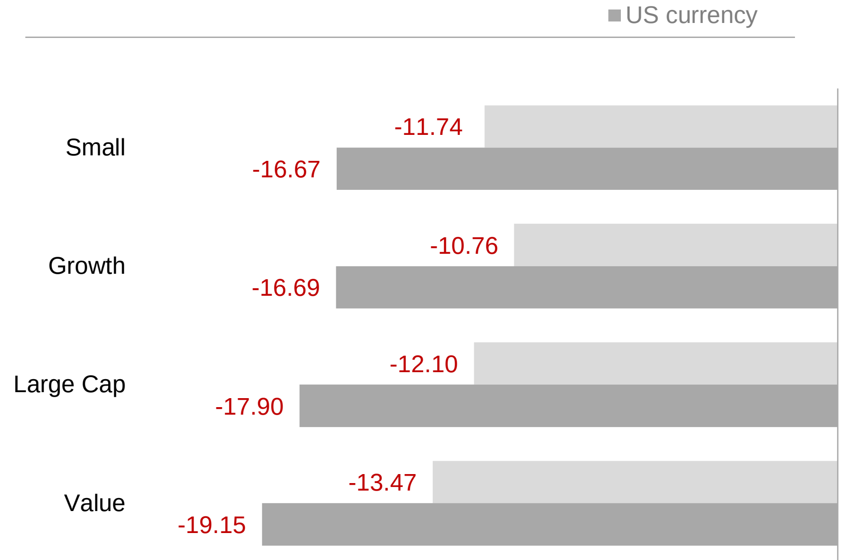
Third Quarter 2015 Index Returns

Emerging markets indices underperformed developed markets indices (including the US) in US dollar terms during the third quarter.

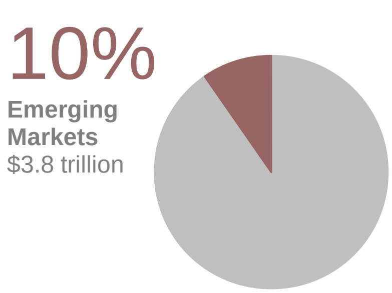
Small cap indices outperformed large cap indices.

Value underperformed growth indices across all size ranges.

Ranked Returns (%)



World Market Capitalization—Emerging Markets



Period Returns (%)

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
Large Cap	-15.48	-19.28	-5.27	-3.58	4.27
Small Cap	-9.80	-15.23	-1.09	-2.43	6.72
Value	-17.38	-22.70	-7.66	-5.09	4.12
Growth	-13.63	-15.89	-2.95	-2.12	4.35

* *Annualized*

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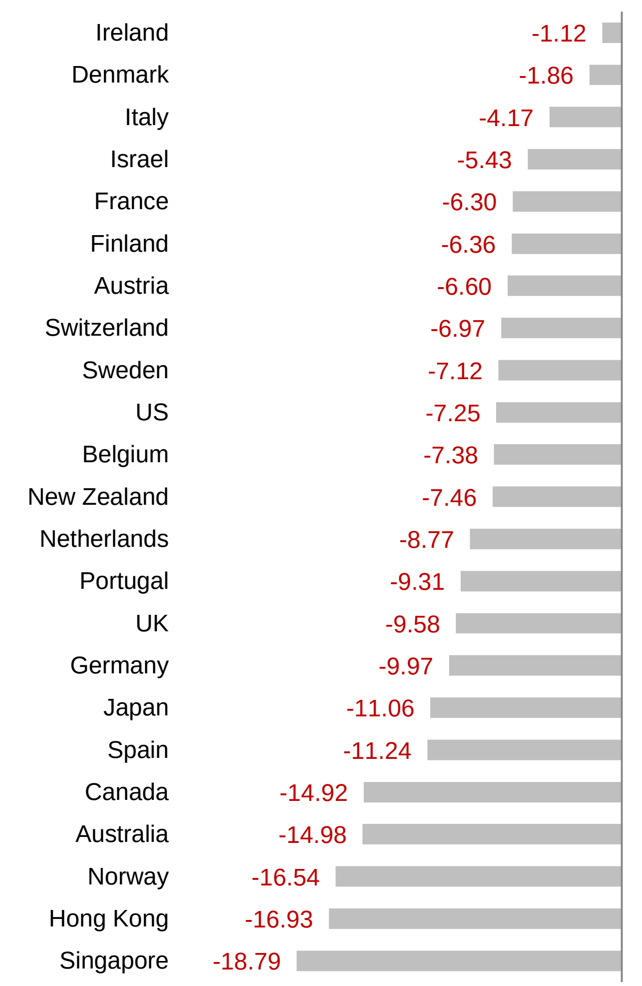
Select Country Performance

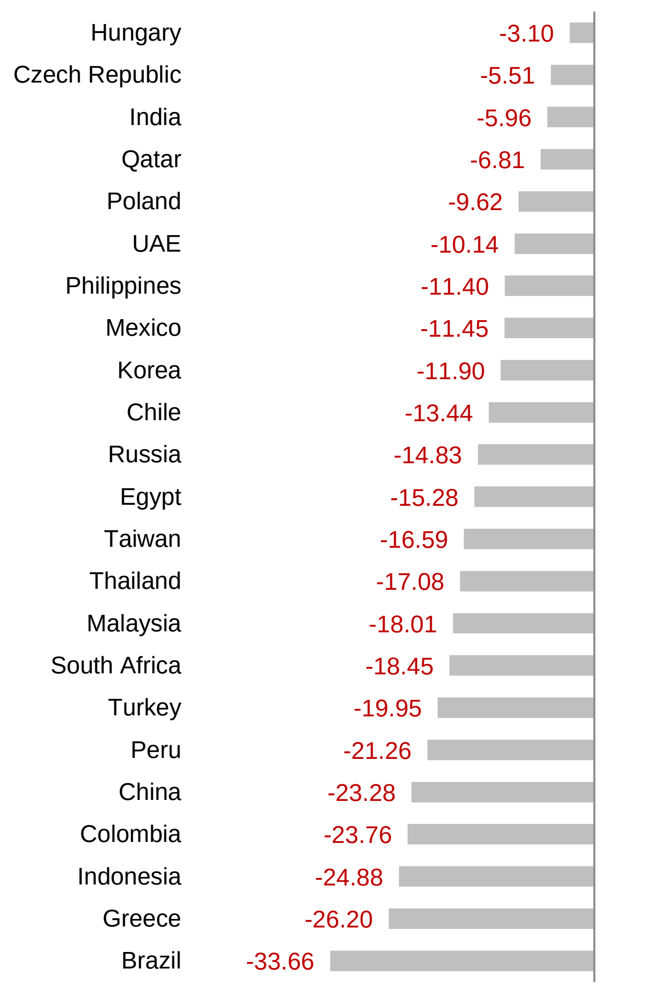
Third Quarter 2015 Index Returns

Ireland again recorded the highest country performance in developed markets and Singapore and Hong Kong the lowest for the third quarter. In emerging markets, Hungary and the Czech Republic posted the highest returns, while China's equity performance dominated news headlines as its market recorded one of the lowest country returns.

Ranked Developed Markets Returns (%)



Ranked Emerging Markets Returns (%)



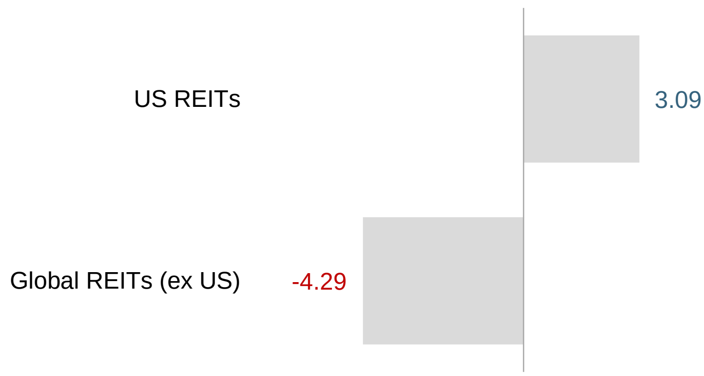
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Country performance based on respective indices in the MSCI World ex US IMI Index (for developed markets), Russell 3000 Index (for US), and MSCI Emerging Markets IMI Index. All returns in USD and net of withholding tax on dividends. MSCI data © MSCI 2015, all rights reserved. Russell data © Russell Investment Group 1995–2015, all rights reserved. UAE and Qatar have been reclassified as emerging markets by MSCI, effective May 2014.

Real Estate Investment Trusts (REITs)

Third Quarter 2015 Index Returns

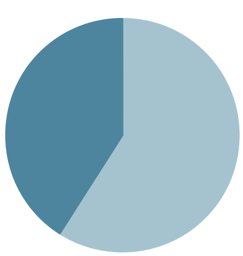
US REITs were one of the best-performing asset classes during the third quarter, outperforming equities. Although REITs outside the US produced negative absolute returns, global REITs outside the US outperformed broad market equity indices.

Ranked Returns (%)



Total Value of REIT Stocks

41%
World ex US
$565 billion
243 REITs
(22 other countries)



59%
US
$565 billion
96 REITs

Period Returns (%)

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
US REITs	-2.84	11.82	9.92	12.31	6.69
Global REITs (ex US)	-5.30	-2.47	4.53	6.64	3.11

** Annualized*

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Number of REIT stocks and total value based on the two indices. All index returns are net of withholding tax on dividends. Total value of REIT stocks represented by Dow Jones US Select REIT Index and the S&P Global ex US REIT Index. Dow Jones US Select REIT Index used as proxy for the US market, and S&P Global ex US REIT Index used as proxy for the World ex US market. Dow Jones US Select REIT Index data provided by Dow Jones ©. S&P Global ex US REIT Index data provided by Standard and Poor's Index Services Group © 2014.

Commodities

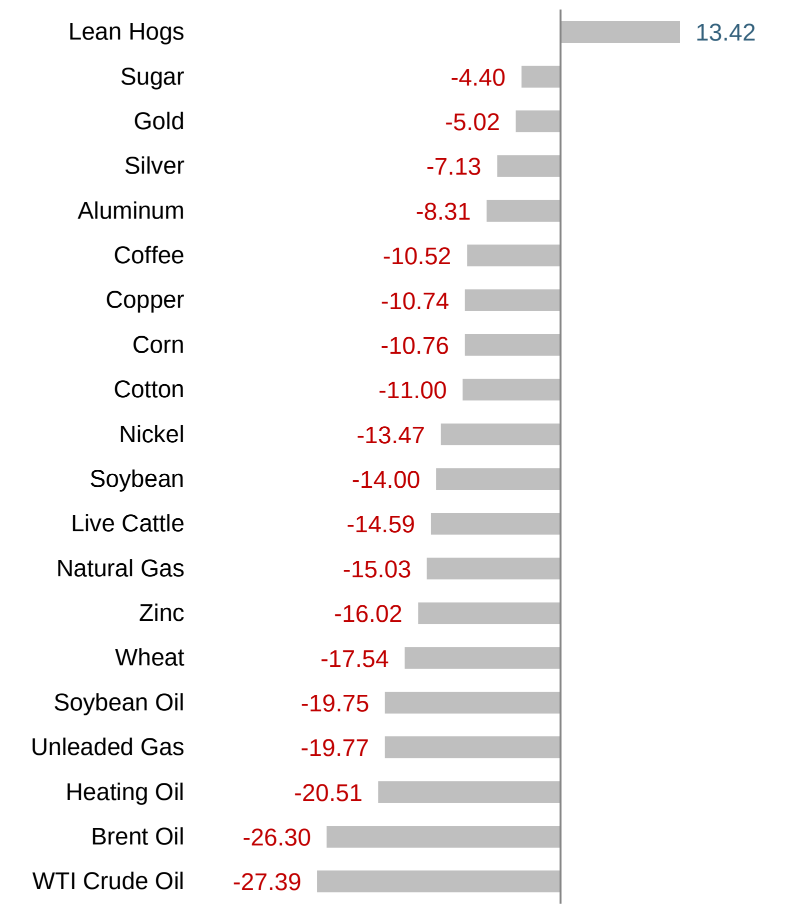
Third Quarter 2015 Index Returns

Commodities were broadly negative during the third quarter. The Bloomberg Commodity Index Total Return fell 14.47%. The energy complex led the decline with WTI crude oil dropping 27.39% and natural gas shedding 15.03%.

Grains also posted negative returns; Chicago wheat lost 17.54%, while soybeans dropped 14%.

Livestock was mixed with lean hogs up 13.42% and live cattle falling 14.59%.

Ranked Returns for Individual Commodities (%)



Period Returns (%)

Asset Class	YTD	Q3	1 Year	3 Years*	5 Years*	10 Years*
Commodities	-15.80	-14.47	-25.99	-16.02	-8.89	-5.67

** Annualized*

Past performance is not a guarantee of future results. Index is not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. All index returns are net of withholding tax on dividends. Securities and commodities data provided by Bloomberg.

Fixed Income

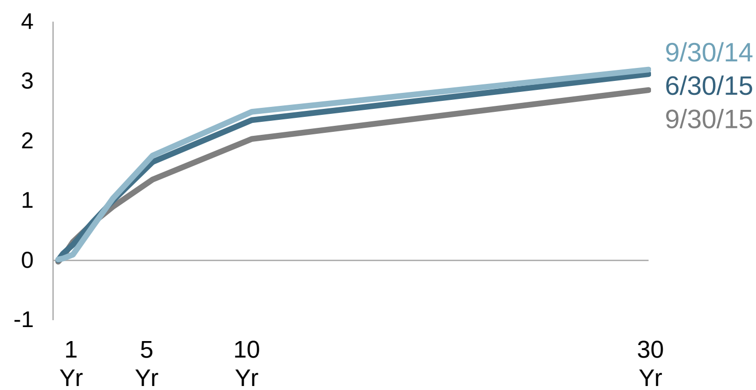
Third Quarter 2015 Index Returns

Interest rates across the US fixed income markets generally decreased during the third quarter. The yield on the 5-year Treasury note dropped 25 basis points to end the period at 1.38%. The yield on the 10-year Treasury note decreased 27 basis points to end the quarter at 2.06%. The 30-year Treasury bond fell 22 basis points to finish with a yield of 2.88%. Yields on the short end of the curve were relatively unchanged.

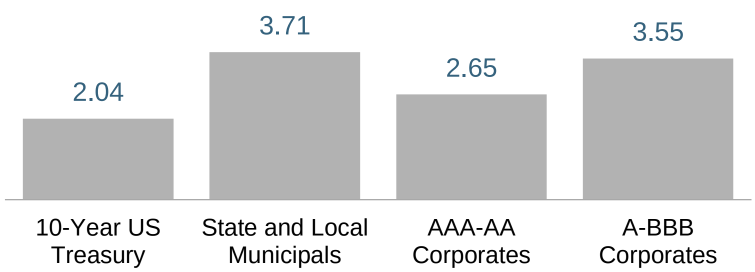
Short-term corporate bonds returned 0.30%, while intermediate-term corporate bonds returned 0.71%.

Short-term municipal bonds returned 0.74%, while intermediate-term municipal bonds returned 1.68%. Municipal general obligation and revenue bonds experienced similar returns.

US Treasury Yield Curve



Bond Yields across Issuers



Period Returns (%)

* Annualized

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
BofA Merrill Lynch Three-Month US Treasury Bill Index	0.02	0.02	0.06	0.08	1.33
BofA Merrill Lynch 1-Year US Treasury Note Index	0.32	0.25	0.27	0.33	1.88
Citigroup WGBI 1−5 Years (hedged to USD)	1.09	1.57	1.34	1.50	2.97
Barclays Long US Government Bond Index	0.22	8.62	2.78	6.18	6.92
Barclays US Aggregate Bond Index	1.13	2.94	1.71	3.10	4.64
Barclays US Corporate High Yield Index	-2.45	-3.43	3.51	6.15	7.25
Barclays Municipal Bond Index	1.77	3.16	2.88	4.14	4.64
Barclays US TIPS Index	-0.80	-0.83	-1.83	2.55	4.02

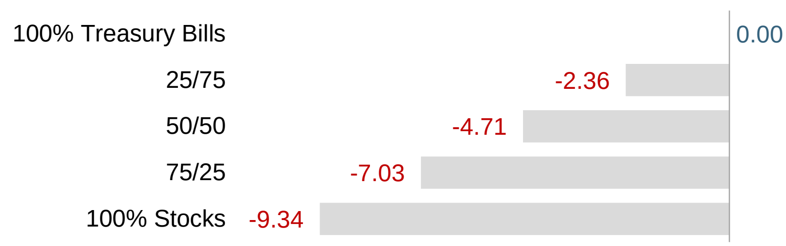
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Yield curve data from Federal Reserve. State and local bonds are from the Bond Buyer Index, general obligation, 20 years to maturity, mixed quality. AAA-AA Corporates represent the Bank of America Merrill Lynch US Corporates, AA-AAA rated. A-BBB Corporates represent the Bank of America Merrill Lynch US Corporates, BBB-A rated. Barclays data provided by Barclays Bank PLC. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (SBBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefield). Citigroup bond indices © 2014 by Citigroup. The BofA Merrill Lynch Indices are used with permission; © 2014 Merrill Lynch, Pierce, Fenner & Smith Incorporated; all rights reserved. Merrill Lynch, Pierce, Fenner & Smith Incorporated is a wholly owned subsidiary of Bank of America Corporation.

Global Diversification

Third Quarter 2015 Index Returns

These portfolios illustrate the performance of different global stock/bond mixes and highlight the benefits of diversification. Mixes with larger allocations to stocks are considered riskier but have higher expected returns over time.

Ranked Returns (%)

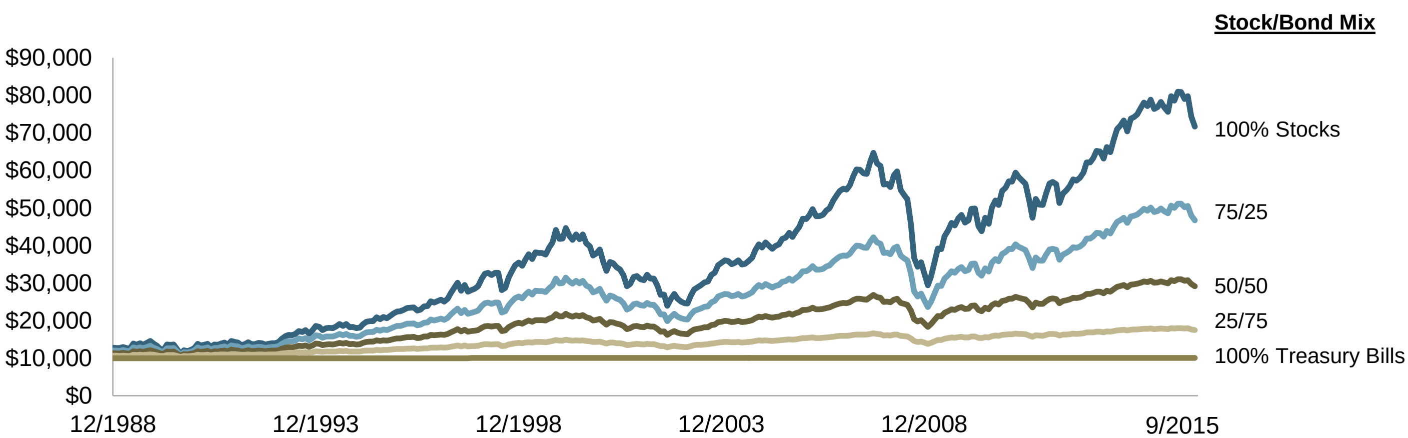


Period Returns (%)

** Annualized*

Asset Class	YTD	1 Year	3 Years*	5 Years*	10 Years*
100% Stocks	-6.65	-6.16	7.52	7.39	5.14
75/25	-4.93	-4.55	5.69	5.67	4.12
50/50	-3.24	-2.98	3.82	3.85	2.92
25/75	-1.60	-1.47	1.93	1.96	1.54
100% Treasury Bills	0.00	0.00	0.00	0.00	0.01

Growth of Wealth: The Relationship between Risk and Return



Diversification does not eliminate the risk of market loss. Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect expenses associated with the management of an actual portfolio. Asset allocations and the hypothetical index portfolio returns are for illustrative purposes only and do not represent actual performance. Global Stocks represented by MSCI All Country World Index (gross div.) and Treasury Bills represented by US One-Month Treasury Bills. Globally diversified allocations rebalanced monthly, no withdrawals. Data © MSCI 2015, all rights reserved. Treasury bills © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefield).

Should Investors Sell After a "Correction"?

Third Quarter 2015

Stock prices in markets around the world fluctuated dramatically for the week ended August 27. On Monday, August 24, the Dow Jones Industrial Average fell 1,089 points—a larger loss than the “Flash Crash” in May 2010—before rallying to close down 588. Prices fell further on Tuesday before recovering sharply on Wednesday, Thursday, and Friday. Although the S&P 500 and Dow Jones Industrial Average rose 0.9% and 1.1%, respectively, for the week, many investors found the dramatic day-to-day fluctuations unsettling.

Based on closing prices, the S&P 500 Index declined 12.35% from its record high of 2130.82 on May 21 through August 24. Financial professionals generally describe any decline of 10% or more from a previous peak as a “correction,” although it is unclear what investors should do with this information. Should they seek to protect themselves from further declines by selling, or should they consider it an opportunity to purchase stocks at more favorable prices?

Based on S&P 500 data, stock prices have declined 10% or more on 28 occasions between January 1926 and June 2015. Obviously, every decline of 20% or 30% or 40% began with a decline of 10%. As a result, some investors believe that avoiding large losses can be accomplished easily by eliminating equity exposure entirely once the 10% threshold has been breached.

Market timing is a seductive strategy. If we could sell stocks prior to a substantial decline and hold cash instead, our long-run returns could be exponentially higher. But successful market timing is a two-step process: determining when to sell stocks and when to buy them back. Avoiding short-term losses runs the risk of avoiding even larger long-term gains. Regardless of whether stock prices have advanced 10% or declined 10% from a previous level, they always reflect (1) the collective assessment of the future by millions of market participants and (2) the expectation that equities in both the US and markets around the world have positive expected returns.

Our research shows that US stocks have typically delivered above-average returns over one, three, and five years following consecutive negative return days resulting in a 10% or more decline. Results from non-US markets are similar.

Contrary to the beliefs of some investors, dramatic changes in security prices are not a sign that the financial system is broken but rather what we would expect to see if markets are working properly.

The world is an uncertain place. The role of securities markets is to reflect new developments—both positive and negative—in security prices as quickly as possible. Investors who accept dramatic price fluctuations as a characteristic of liquid markets may have a distinct advantage over those who are easily frightened or confused by day-to-day events and may be more likely to achieve long-run investing success.

References

“Wild Ride Leaves Investors Grasping,” Wall Street Journal, August 25, 2015.

“Investors Scramble as Stocks Swing,” Wall Street Journal, August 25, 2015.

General Disclaimer

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