

Quarterly Update

Calder's Comments

What's an investor to do when interest rates in the U.S. are near zero? What's the appropriate response to almost \$10 trillion (yes, that's \$10 trillion) of international government debt that has negative yields? What's the proper course of action when some of the most trusted investment managers in the country are telling you that equity valuations are dangerously high? Well, the correct answer is: It depends.

It depends on a number of factors: age, overall risk profile, size of portfolio, contributions, time horizon, spending needs, etc. Evaluating each of these factors is important in determining the proper way to handle the current market. A well-diversified portfolio is important, but a healthy dose of investments that have an absolute return focus is probably just what your portfolio needs. These funds can help protect the value of your portfolio at the same time they can help maximize your long-term results.

Many of these funds have not kept pace with some of the major market indexes over the last few years. This is due in large part to the fact that their portfolios have become more conservative; holding more cash and investing in areas with better long-term value.

Now we probably know what many of you are thinking: money market funds and short-term bonds just don't pay anything. The Intrepid Endurance Fund recently published the following: "Cash has become the most reviled 4 letter word in finance". Cash can really be an effective portfolio allocation, even when they pay next to nothing. They are using cash as a strategic allocation and our other absolute return funds feel the same way. Here are the portfolio allocations of some of the absolute return funds we employ.

These high cash positions are certainly not permanent parts of these funds' portfolios.

	Cash	Stocks	Bonds	Other	Total
FPA Crescent	32.9%	56.0%	5.7%	5.4%	100%
Intrepid Endurance Investor	71.6%	19.0%	0.0%	9.4%	100%
IVA Worldwide	37.5%	51.2%	3.7%	7.6%	100%
PIMCO All Asset All Authority	29.2%	9.7%	55.5%	5.6%	100%
Wells Fargo Absolute Return	25.9%	40.6%	26.0%	7.5%	100%

Calder's Comments - continued from page 1

Market conditions change, sometimes quickly like in the summer of 2011, fall of 2008 and early 2016. Till then, these funds won't own stocks that appear to be overvalued and will hold cash until these valuations change. In order to earn our management fee, your portfolio must be properly allocated. Sometimes that allocation is cash.

FPA Crescent's returns are an excellent example of what we are talking about. If you just look at the trailing one and three year returns, you will see what looks like underperformance. But when you consider the factors we listed above, you will see that FPA's portfolio

adjustments are starting to pay off. When you look at their return since the last market peak on 10/10/2007 or the previous peak on 3/25/2000, you will be happy you have the managers at FPA Crescent working for you.

	1 year	3 year	3 rd Qtr 2016	10/10/07 – 9/30/16	3/25/00 – 9/30/16	Since Inception 6/2/93
FPA Crescent	8.45%	5.46%	5.29%	6.22%	14.70%	10.29%
S&P 500 Index	15.43%	11.16%	3.85%	5.98%	2.00%	9.06%

Other Services from Calder Investment Advisors

- Comprehensive Financial Planning
- Life Insurance Analysis & Consulting
- Traditional, Roth & Rollover IRAs
- Stocks, Bonds, Mutual Funds & ETFs
- Retirement Income Planning
- Corporate Retirement Plans
- College Savings Accounts
- Social Security Timing

**CALDER
INVESTMENT
ADVISORS**

96 Monroe Center NW - Suite #305
Grand Rapids, MI 49503

Voice: 616.235.2442 or 888.235.0333

Fax: 616.235.2460

Web: www.CalderAdvisors.com

©2014 Morningstar, Inc. All Rights Reserved. The information contained herein (1) is intended solely for informational purposes; (2) is proprietary to Morningstar and/or the content providers; (3) is not warranted to be accurate, complete, or timely; and (4) does not constitute investment advice of any kind. Neither Morningstar nor the content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results. "Morningstar" and the Morningstar logo are registered trademarks of Morningstar, Inc.

Dirk Racette Bob Stark Jim Stokes Tom Glover Marcia Force Pat Newcombe Chuck Schuler