



July 2015

2nd Quarter 2015 Market Commentary

A special hello and welcome as we introduce a new service to our current and prospective clients! This serves as our inaugural quarterly newsletter from the Abrahamson Investment Group. The goal of our newsletter is to provide a summary of what is happening in the stock (equity) and bond (fixed income) markets. We will also update you on any changes in our discretionary model portfolios, as well as provide information on our current strategies. We will personalize the newsletter with information about our team members and other information that may be of interest to you. We appreciate and welcome any feedback to improve the quality of our newsletter.

Recapping the most recent news, we saw volatility increase in international markets towards the end of the second quarter, due largely to the negative news surrounding Greece and China. China's equity market had been up substantially over the past year and was vulnerable to a correction. Greece's continued weakness is a result of their ongoing economic issues. Through the second quarter, international equity markets have been leading the major indices. After a strong 2014, U.S. blue chip stocks have leveled off year-to-date.

After a strong 2014, the fixed income markets (represented by the Barclays Aggregate Bond Index) are down -0.27% for the first six months of 2015. This was the result of a small increase in Treasury bond yields as the Fed continues to delay raising rates. Volatility and declines in global equity markets have often driven flows into U.S. bonds.

Our current strategy on the fixed income side is a bit more defensive. We are positioning for a "flat to rising" interest rate environment, and the duration (interest rate bond price sensitivity) is short- to intermediate-term. This works for us in flat to rising interest rate markets and causes a performance lag in declining rate environments. You may hear that bonds will fall in value if interest rates rise. Generally, that is true. However, the magnitude of a decline depends on the types of bonds you own. Further, some types of bonds respond well to rising rates.

Our strategies in the equity markets include the following:

- An overweight to large capitalization (large cap) companies versus small cap companies
- Sector overweights in technology and banks, the latter based on valuation and a likely beneficiary of rising interest rates
- An overweight in international equities to developed markets and a position in Japanese stocks (utilizing a fund that is hedged against weakness in the Japanese Yen)

We will continue monitoring markets and making changes in our discretionary model portfolios as necessary. Please contact us with any questions or concerns.

On the personal side, we would like to provide you with an update on our longest serving team member, Kirk Abrahamson. Kirk has been working in the financial services business for over 28 years.



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He and his wife, Dianna, reside in West Des Moines and have two daughters, Kylie, age 24 and Laney, age 21. The girls have both graduated from college; Kylie from Arizona State University and Laney from the University of North Carolina. They are joining together this summer and relocating to Denver, Colorado, to team up in the residential real estate business with Coldwell Banker.

Kirk and Dianna have adjusted well to being empty nesters and are now enjoying golf together on the weekends. The new location for their daughters will make visiting them for long weekends easier (though a part of them wishes the girls had chosen to live in Des Moines).

In future communications we will continue to provide updates on our team members and services. On a finishing note, when asked how long Kirk plans to work, he shares his daughter Kylie's, comment a couple years ago, "Dad, you'll work forever." That feeling seems unanimous within the team and among Kirk's co-workers.

Best wishes to all of you, and please let us know what we can do to serve you better.

-The Abrahamson Investment Group
Kirk, Mike, Dana & Colby

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